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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 TRANSACTIONS,  
(2) PRC CONTINUING CONNECTED TRANSACTIONS,  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,  
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 Transactions**

**TRINITY**  
**TRINITY CORPORATE FINANCE LIMITED**

A letter from the Board is set out on pages 10 to 47 of this circular.

A letter from the independent financial adviser to the independent board committee and the independent shareholders of Weichai Power Co., Ltd. on the Non-exempt Continuing Connected Transactions (as defined in this circular) is set out on pages 49 to 93 of this circular.

A notice convening the EGM to be held at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifeng, Shandong Province, the PRC on 13 November 2020 at 2:50 p.m. is set out on pages 101 to 105 of this circular. Whether or not you intend to be present at the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the H-share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the registered office of the Company at Legal and Securities Affairs Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish.

23 October 2020

# DEFINITIONS

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	10
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE ON THE CONTINUING CONNECTED TRANSACTIONS</b> .....	48
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b> .....	49
<b>APPENDIX - GENERAL INFORMATION</b> .....	94
<b>NOTICE OF EGM</b> .....	101

## 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
“A Share(s)”	the A Share(s), being ordinary share(s) issued, in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Axles Supply Framework Agreement”	the axles supply framework agreement between Hande Axle and Yangzhou Yaxing dated 26 October 2012
“Baudouin China”	博杜安(濰坊)動力有限公司 (Baudouin (Weifang) Power Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“Board”	the board of Directors
“Chongqing Branch”	the Company’s facility (being its branch office) in Chongqing Municipality, the PRC
“Chongqing Casting”	重慶市江津區重濰鑄造有限公司 (Chongqing City Jiangjin District Chongwei Casting Co. Ltd.*), a company established in the PRC which was subsequently deregistered
“Chongqing Weichai”	重慶濰柴發動機有限公司 (Chongqing Weichai Diesel Engine Company Limited*) (formerly known as 重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Factory*)), a Company established in the PRC and a connected person of the Company

## DEFINITIONS

“Chongqing Weichai Utilities Services Agreement”	has the meaning ascribed to it under the section headed “IV. PRC Continuing Connected Transactions – 1. PRC Continuing Connected Transactions with Weichai Holdings (and its associates)” in the letter from the Board contained in this circular
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) of the Group set out in the section headed “II. The Continuing Connected Transactions” in the letter from the Board contained in this circular
“Dezhou Degong”	德州德工機械有限公司 (Dezhou Degong Machinery Co., Ltd.*), a company established in the PRC and a connected person of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 13 November 2020, Friday, the notice of which is contained in this circular
“Exempt Continuing Connected Transaction(s)”	being those continuing connected transaction(s) of the Group exempt from circular, independent financial advice and shareholders’ approval requirements, or the proposed new caps for which do not exceed the 5% Threshold and, accordingly, are not subject to the approval by the Independent Shareholders under the Listing Rules, and, where such new caps exceed the 0.1% Threshold, are only subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules

## DEFINITIONS

“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transactions set out in the section headed “II. The Continuing Connected Transactions” in the letter from the Board contained in this circular
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Hande Axle”	陝西漢德車橋有限公司 (Shaanxi Hande Axle Co., Ltd.), a company established in the PRC and is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi
“H Share(s)”	the H Share(s), being the overseas listed foreign share(s) issued, in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the main board of the Stock Exchange
“Huadong Casting”	山東華動鑄造有限公司 (Shandong Huadong Casting Co., Ltd*), a company established in the PRC and a subsidiary of the Company
“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 Transactions
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transactions and the PRC Continuing Connected Transactions (as the case may be)
“Latest Practicable Date”	15 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Merger”	the merger on 24 April 2007 (as announced in the announcement of the Company dated 25 April 2007), as a result of which the original subsidiaries of TAGC, together with other the assets and liabilities of TAGC, were absorbed by the Company
“New Cap(s)”	the new cap(s) for the Continuing Connected Transactions set out in the section headed “II. The Continuing Connected Transactions” in the letter from the Board contained in this circular
“Non-exempt Continuing Connected Transaction(s)”	being those Continuing Connected Transaction(s) at the Company level, the proposed New Caps for which exceed the 5% Threshold, and accordingly, they 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
“PRC”	the People’s Republic of China
“PRC Continuing Connected Transaction(s)”	the transaction(s) set out under the section headed “IV. PRC Continuing Connected Transactions” in the letter from the Board contained in this circular, which constitute continuing connected transaction(s) 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. For details, please refer to the announcement of the Company entitled 《濰柴動力股份有限公司日常持續性關聯交易公告》 (“Announcement of Weichai Power Co., Ltd. in respect of its Continuing Connected Transactions in the Ordinary Course of Business”) dated 27 August 2020 on the Shenzhen Stock Exchange
“PRC Supplemental Agreements”	the supplemental agreements relating to the PRC Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “IV. PRC Continuing Connected Transactions” in the letter from the Board contained in this circular, and “PRC Supplemental Agreement” means any of them

## DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFGC”	陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Ltd.), a company established in the PRC and a 51% subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shaanxi Zhongqi”	陝西重型汽車有限公司 (Shaanxi Heavy Duty Motor Company Limited), a company established in the PRC and a subsidiary 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 of the Company
“Shenzhen Listing Rules”	《股票上市規則》 (“listing rules”) of the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements relating to the Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the sections headed “II. The Continuing Connected Transactions” in the letter from the Board contained in this circular, and “Supplemental Agreement” means any of them
“TAGC”	湘火炬汽車集團股份有限公司 (Torch Automotive Group Co., Ltd.*), a company established in the PRC and has ceased to exist
“Transmissions Supply Framework Agreement”	the transmissions supply framework agreement entered into between SFGC and Yangzhou Yaxing dated 26 October 2012

## DEFINITIONS

“Weichai After-sales Services”	濰柴(濰坊)後市場服務有限公司 (Weichai (Weifang) After-sales Market Services Co., Ltd.*) (formerly known as 濰柴動力備品資源公司 (Weichai Power Reserves and Resources Company*)), a company established in the PRC which used to be a subsidiary of the Company and has now been deregistered
“Weichai Casting”	濰柴動力(濰坊)鑄鍛有限公司 (Weichai Power (Weifang) Casting Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“Weichai Electric Equipment”	濰柴電力設備有限公司 (Weichai Electric Equipment Co., Ltd.*) (formerly known as 濰柴重機(濰坊)發電設備有限公司 (Weichai Heavy-duty Machinery (Weifang) Generator Equipment Co., Ltd.*) and 濰柴發電設備有限公司 (Weichai Generator Equipment Co., Ltd.*)), a company established in the PRC and a connected person of the Company
“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 and a wholly-owned subsidiary of the Company
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*) (formerly known as 山東巨力股份有限公司 (Shandong Juli Company Limited*)), a company established in the PRC and a connected person of the Company
“Weichai Heavy Machinery Purchase and Processing Services Agreement”	has the meaning ascribed to it under the section headed “II.2. Purchase of diesel engine parts and components, materials, steel and scrap metal etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)” 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



## DEFINITIONS

“Weichai Holdings Juli Restructuring”	the restructuring of the assets of Weichai Holding and the group of entities concerning Weichai Heavy Machinery as more particularly set out in the announcement of Weichai Heavy Machinery on the Shenzhen Stock Exchange dated 8 September 2006
“Weichai Holdings Utilities Services Agreement”	has the meaning ascribed to it under the section headed “IV. PRC Continuing Connected Transactions – 1. PRC Continuing Connected Transactions with Weichai Holdings (and its associates)” in the letter from the Board contained in this circular
“Weichai Import and Export”	山東濰柴進出口有限公司 (Shandong Weichai Import and Export Co., Ltd.*), a company established in the PRC wholly-owned by Weichai Holdings and a connected person of the Company
“Weichai Logistics”	濰柴動力(濰坊)集約配送有限公司 (Weichai Power (Weifang) Intensive Logistics Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Weichai Power Diesel Engines Supply Framework Agreement”	the diesel engines supply framework agreement entered into between the Company and Yangzhou Yaxing dated 26 October 2012
“Weichai Reproduction”	濰柴動力(濰坊)再製造有限公司 (Weichai Power (Weifang) Reconstruction Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“Weichai Sale and Processing Services Agreement”	has the meaning ascribed to it under the section headed “II.1. Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)” in the letter from the Board contained in this circular
“Weichai Westport”	濰柴西港新能源動力有限公司 (formerly known as “濰柴動力西港新能源發動機有限公司”) (Weichai Westport Inc.), a company established in the PRC and a connected person of the Company

## DEFINITIONS

“Weichai Westport Leasing Agreement”	has the meaning as ascribed to it under the section headed “IV. PRC Continuing Connected Transactions – 2. PRC Continuing Connected Transactions with Weichai Westport” in the letter from the Board contained in this circular
“Weichai Westport Logistics Agreement”	has the meaning as ascribed to it under the section headed “IV. PRC Continuing Connected Transactions – 2. PRC Continuing Connected Transactions with Weichai Westport” in the letter from the Board contained in this circular
“Weichai Westport Purchase Agreement”	has the meaning ascribed to it under the section headed “II.4.(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport” in the letter from the Board contained in this circular
“Weichai Westport Supply Agreement”	has the meaning ascribed to it under the section headed “II.4.(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport” in the letter from the Board contained in this circular
“Weichai Yangzhou”	濰柴動力揚州柴油機有限責任公司 (Weichai Power Yangzhou Diesel Engine Co., Ltd.), a company established in the PRC and a subsidiary of the Company
“Weichai Yangzhou Diesel Engines Supply Framework Agreement”	the diesel engines supply framework agreement entered into between Weichai Yangzhou and Yangzhou Yaxing dated 26 October 2012
“Yangzhou Special Vehicles”	濰柴(揚州)特種車有限公司 (Weichai (Yangzhou) Special Vehicles Co., Ltd.*) (formerly known as 揚州盛達特種車有限公司 (Yangzhou Shengda Special Vehicles Co., Ltd.)), a company established in the PRC, wholly-owned by Weichai Holdings and a connected person of the Company

## DEFINITIONS

“Yangzhou Yaxing”

揚州亞星客車股份有限公司 (Yangzhou Yaxing Motor Coach Co. Ltd.), a company established in the PRC, a subsidiary of Weichai Holdings and a connected person of the Company

\* For identification purpose 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 (*Executive President*)  
Xu Xinyu  
Sun Shaojun (*Executive President*)  
Yuan Hongming (*Executive President*)  
Yan Jianbo (*Executive President*)

*Non-executive Directors:*

Zhang Liangfu  
Jiang Kui  
Gordon Riske  
Michael Martin Macht

*Independent Non-executive Directors:*

Li Hongwu  
Wen Daocai  
Jiang Yan  
Yu Zhuoping  
Zhao Huifang

*Supervisors:*

Lu Wenwu  
Ma Changhai  
Wu Hongwei

*Registered office:*

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

*Principal place of business  
in Hong Kong:*

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

23 October 2020

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

Dear Sir or Madam,

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS,  
(2) PRC CONTINUING CONNECTED TRANSACTIONS,  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

It was announced by the Board on 27 August 2020 that on 27 August 2020, the Company entered into, *inter alia*, the Supplemental Agreements in respect of the Continuing Connected Transactions. This circular gives you further information in relation to the Continuing

## LETTER FROM THE BOARD

Connected Transactions (being Non-exempt Continuing Connected Transactions) and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions. This circular also contains the notice convening the EGM.

As disclosed in the said announcement, the Company also entered into certain PRC Supplemental Agreements in respect of the PRC Continuing Connected Transactions as set out in the section headed “IV. PRC Continuing Connected Transactions” in this circular.

### II. THE CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions include the following:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Weichai Holdings (and its associates) <i>(note 1)</i> (as the case may be)	The Company, Weichai Casting, Weichai Reproduction, Huadong Casting and Weichai Logistics <i>(note 2)</i> (as the case may be)	Holder of 17.72% of the equity of the Company	Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)
2. Weichai Heavy Machinery (and its subsidiaries) <i>(note 3)</i>	The Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Baudouin China <i>(note 2)</i> (as the case may be)	Held as to 30.59% by Weichai Holdings	Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)
3. Yangzhou Yaxing and its subsidiaries	The Company and Weichai Logistics <i>(note 2)</i>  SFGC <i>(note 4)</i>  Hande Axle <i>(note 5)</i>	Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings	(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries  (b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries  (c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries

## LETTER FROM THE BOARD

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
4.	Weichai Westport	The Company, Weichai Reproduction and Weichai Freshen Air (as the case may be) <i>(note 2)</i>	Weichai Westport is held as to 51% by Weichai Holdings
			<p>(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport</p> <p>(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport</p>

*Notes:*

1. The associates of Weichai Holdings are Chongqing Weichai, Weichai Import and Export, Yangzhou Special Vehicles and Dezhou Degong.
2. Each of Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Weichai Freshen Air is a wholly-owned subsidiary of the Company. Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company.
3. The subsidiary of Weichai Heavy Machinery is Weichai Electric Equipment, being a wholly-owned subsidiary of Weichai Heavy Machinery.
4. SFGC is a 51% subsidiary of the Company.
5. Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.

## LETTER FROM THE BOARD

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

Connected person and details of the relevant Continuing Connected Transactions	New Caps		
	2021 RMB	2022 RMB	2023 RMB
<b>1. Weichai Holdings (and its associates)</b>			
Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)	3,900,000,000	5,200,000,000	6,900,000,000
<b>2. Weichai Heavy Machinery (and its subsidiaries)</b>			
Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)	640,000,000	695,000,000	760,000,000
<b>3. Yangzhou Yaxing and its subsidiaries</b>			
(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries	660,000,000	675,000,000	690,000,000
(b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries	50,000,000	60,000,000	72,000,000
(c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries	77,000,000	90,000,000	101,000,000

## LETTER FROM THE BOARD

Connected person and details of the relevant Continuing Connected Transactions	New Caps		
	2021 RMB	2022 RMB	2023 RMB
<b>4. Weichai Westport</b>			
(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport	580,000,000	630,000,000	680,000,000
(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport	5,270,000,000	6,320,000,000	7,570,000,000

*Note:*

1. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions under (i) paragraphs 1, 3.(a), 3.(b), 3.(c) and 4.(a) have been aggregated, and (ii) paragraphs 2 and 4.(b) have been aggregated.

### **Details of the Continuing Connected Transactions and the relevant Supplemental Agreements**

#### *The Company and its subsidiaries*

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts. Chongqing Branch is the Company's facility (being its branch office) in Chongqing Municipality.

Weichai After-sales Services was a wholly-owned subsidiary of the Company and was principally engaged in the sales of parts and components of diesel engines. It has now been deregistered.

Weichai Casting is a wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of casting; manufacture, sale, hot treatment and cleansing of forging and stamping parts.

Weichai Reproduction is a wholly-owned subsidiary of the Company and is principally engaged in the reproduction of parts and components of vehicles.

Huadong Casting is an indirect wholly-owned subsidiary of the Company and is principally engaged in casting and sale of engine parts.

Weichai Logistics is a wholly-owned subsidiary of the Company and is principally engaged in general transportation, storage, delivery and basic assembly of machine accessories and power.



## LETTER FROM THE BOARD

Weichai Yangzhou is indirectly held as to approximately 71.06% by the Company and is principally engaged in the design, development, manufacture, sale and maintenance of diesel engines.

Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company and is principally engaged in the manufacture, design, sale, development and maintenance of diesel engines and related products.

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

Hande Axle is principally engaged in the research and development, production, sale and services of vehicle axles and their parts and components. Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.

Weichai Freshen Air is a wholly-owned subsidiary of the Company and 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.

**1. *Continuing Connected Transactions between Weichai Holdings (and its associates) and the Group***

*Weichai Holdings and its associates*

Weichai Holdings is principally engaged in the management, investment and the provision of general services.

Chongqing Weichai is principally engaged in the manufacture and sale of diesel engines and related products.

Weichai Import and Export is principally engaged in the import and export of certain products including diesel engine parts and components and the provision of the relevant service.

Yangzhou Special Vehicles is principally engaged in the manufacturing and sale of special vehicles, semi-trailers and modified vehicles.

Dezhou Degong is principally engaged in the research and manufacture, production, sale, maintenance, lease of wheel-loaders, road building and maintenance machineries and components, and relevant technical consulting and services (excluding intermediaries); leasing of houses; loading and unloading services; import and export of goods and technology.

## LETTER FROM THE BOARD

Weichai Holdings is a substantial shareholder of the Company, and is accordingly a connected person of the Company. Chongqing Weichai, Weichai Import and Export and Yangzhou Special Vehicles are wholly-owned subsidiaries of Weichai Holdings and are, accordingly, associates of Weichai Holdings and connected persons of the Company.

Dezhou Degong is a wholly-owned subsidiary of Shandong Heavy Industry, the holding company of Weichai Holdings. Hence, Dezhou Degong is an associate of Weichai Holdings and a connected person of the Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries: (i) Weichai Holdings is wholly-owned by Shandong Heavy Industry, and (ii) Shandong Heavy Industry is ultimately governed and controlled by Shandong Provincial People's Government (山東省人民政府).

*Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)*

Agreement:	Supplemental Agreement to the diesel engines, diesel engine parts and components, materials and related products sale and provision of processing services agreement between (i) the Company, Weichai After-sales Services and (ii) Weichai Holdings, Chongqing Casting, Weichai Import and Export and Chongqing Weichai (" <b>Weichai Sale and Processing Services Agreement</b> ") dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016, 30 August 2017 and 13 July 2018, respectively)
Date:	27 August 2020
Parties:	<ol style="list-style-type: none"><li>(a) The Company (b) Weichai Casting (c) Weichai Reproduction (d) Weichai Logistics</li><li>(a) Weichai Holdings (b) Weichai Import and Export (c) Chongqing Weichai (d) Yangzhou Special Vehicles (e) Dezhou Degong</li></ol>
Term:	1 January 2021 to 31 December 2023

## LETTER FROM THE BOARD

Other terms and details:

Pursuant to the Weichai Sale and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) has sold diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide the processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai Yangzhou Special Vehicles, Dezhou Degong and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) shall sell the said diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide the said processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Yangzhou Special Vehicles, Dezhou Degong and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis. The said Supplemental Agreement shall be effective for a term of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Sale and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) as set out above remain unchanged.

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

The table below summarises the Existing Caps for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2020:

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	2,610,000,000	3,475,000,000	4,610,000,000

## LETTER FROM THE BOARD

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1:

	<b>For the year ended 31 December 2018 RMB (audited)</b>	<b>For the year ended 31 December 2019 RMB (audited)</b>	<b>For the six months ended 30 June 2020 RMB (unaudited)</b>
Actual transaction amount	1,516,092,915	1,753,889,371	743,269,773

The Company estimates that the transaction amounts for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2023 will not exceed RMB3,900 million, RMB5,200 million and RMB6,900 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, and (ii) the estimate of the number of diesel engines, diesel engine parts and components, materials, semi-finished products and hydraulic products required by Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Yangzhou Special Vehicles and Dezhou Degong (as the case may be) in view of the implementation of the Group's sales plan for the years 2021 to 2023, having taken into account the estimated market conditions and export performance, the average unit prices of the same, and the costs of the processing services to be provided. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said sale of products and services will grow by approximately 33.3% and 32.7% for each of the years ending 31 December 2022 and 31 December 2023, respectively.

As illustrated above, the proposed New Caps for the three years ending 31 December 2023 are relatively larger than the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction. This is mainly because of (i) the relatively low utilisation rate of the actual transaction amounts compared to the Existing Caps resulted from the lower-than-expected demand for the Group's products by Weichai Holding and its associates due to the then market environment and conditions during the relevant period, in particular, in respect of the six months ended 30 June 2020, which was affected by the short-term negative impact of COVID-19 on the passenger vehicles and overseas markets, and (ii) the expected recovery and steady increase of sales volume of the Group for the three years ending 31 December 2023. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Cap for the year ending 31 December 2021 at RMB3,900,000,000 with a downward adjustment as compared to the Existing Cap of RMB4,610,000,000 for the year ending 31 December 2020.

## LETTER FROM THE BOARD

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2023:

	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	3,900,000,000	5,200,000,000	6,900,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 3.(a), 3.(b), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction, and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

### **2. *Continuing Connected Transactions between Weichai Heavy Machinery (and its subsidiaries) and the Group***

#### *Weichai Heavy Machinery and its subsidiaries*

Weichai Heavy Machinery is principally engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts.

Weichai Electric Equipment is a wholly-owned subsidiary of Weichai Heavy Machinery and is principally engaged in the research and development, production, sale and repair of power generators, pump units, air compressor units, hydraulic pump units and their respective components and the import and export of permitted goods and technology.

Weichai Heavy Machinery is an associate of Weichai Holdings (a substantial shareholder of the Company), and accordingly, Weichai Heavy Machinery and Weichai Electric Equipment are connected persons of the Company.

## LETTER FROM THE BOARD

*Purchase of diesel engine parts and components, materials, steel and scrap metal etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)*

**Agreement:** Supplemental Agreement to the diesel engine parts and components, materials, steel and scrap metal, etc. and related products purchase and processing services agreement between (i) the Company and Weichai After-sales Services and (ii) Weichai Heavy Machinery dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016 and 13 July 2018, respectively) ("**Weichai Heavy Machinery Purchase and Processing Services Agreement**")

**Date:** 27 August 2020

**Parties:**

1. (a) The Company  
(b) Weichai Casting  
(c) Weichai Reproduction  
(d) Huadong Casting  
(e) Weichai Logistics  
(f) Baudouin China
2. (a) Weichai Heavy Machinery  
(b) Weichai Electric Equipment

**Term:** 1 January 2021 to 31 December 2023

**Other terms and details:**

Pursuant to the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) have purchased certain diesel engine parts and components, steel and scrap metal etc., materials, diesel engines and labour and processing services from Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis.

## LETTER FROM THE BOARD

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) shall purchase the said parts and components, steel and scarp metal etc., materials, diesel engines and labour and processing services from Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis. This Supplemental Agreement shall be effective for a term of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

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

The table below summarises the Existing Caps for the three years ending 31 December 2020 the Continuing Connected Transaction set out in this sub-section 2:

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	550,000,000	630,000,000	720,000,000

The table below summarises the aggregate actual transaction amounts involved for the purchases and processing services for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2:

	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>year ended</b>	<b>year ended</b>	<b>six months</b>
	<b>31 December</b>	<b>31 December</b>	<b>ended</b>
	<b>2018</b>	<b>2019</b>	<b>30 June</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	388,463,876	412,470,453	195,623,176

## LETTER FROM THE BOARD

The Company estimates that the aggregate transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB640 million, RMB695 million and RMB760 million for each of the three years ending 31 December 2023 and therefore such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) the estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts in view of the implementation of the Group's procurement plan for the years 2021 to 2023, and (iii) the market prices of the relevant raw materials, steel, scrap metal, diesel engines and related products and the costs of labour and processing services to be purchased by the Group. 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 will increase by approximately 8.6% and 9.4%, for each of the years ending 31 December 2022 and 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2023:

	2021	2022	2023
	RMB	RMB	RMB
New Cap	640,000,000	695,000,000	760,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-section 4.(b) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.



## LETTER FROM THE BOARD

### 3. *Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group*

#### *Yangzhou Yaxing and its subsidiaries*

Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings, a substantial shareholder of the Company. Accordingly, Yangzhou Yaxing and its subsidiaries are associates of Weichai Holdings and connected persons of the Company.

#### *(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries*

Agreement: Supplemental Agreement to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015, 29 September 2016 and 28 March 2018, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company  
(b) Weichai Logistics  
2. Yangzhou Yaxing

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company, Weichai Logistics and/or other subsidiaries of the Company has sold certain engines, new energy powertrain and related products to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

## LETTER FROM THE BOARD

Pursuant to this Supplemental Agreement, the Company, Weichai Logistics and/or other subsidiaries of the Company shall sell engines, new energy powertrain and related products to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2023, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: the Group, through its marketing department, shall regularly collect market information, including conducting price consultation and inspection in the PRC market in respect of the relevant products, and analyse the results. After discussion with the price management department, the Group will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said department shall review the reasonableness of the sale price of the said products on a regular basis and make adjustments where 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 Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 3.(a):

	<b>2018</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>	<b>2020</b> <i>RMB</i>
Existing Cap	710,000,000	870,000,000	1,090,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(a):

	<b>For the year ended 31 December 2018</b> <i>RMB</i> <i>(audited)</i>	<b>For the year ended 31 December 2019</b> <i>RMB</i> <i>(audited)</i>	<b>For the six months ended 30 June 2020</b> <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	443,387,107	579,906,385	74,927,754

## LETTER FROM THE BOARD

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2023 will not exceed RMB660,000,000, RMB675,000,000 and RMB690,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said engines, new energy powertrain and related products from the Group as components for the production of passenger vehicles. Taking into account (i) that the passenger vehicle industry was quite severely affected by the COVID-19 pandemic in the first half of 2020, but the market is expected to recover gradually in the second half of 2020, (ii) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (iii) the expected increase in the demand for the said products by Yangzhou Yaxing and its subsidiaries from the Group, on the basis of an expected increase in the production volume of passenger vehicles using new energy powertrain by Yangzhou Yaxing, and (iv) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would continue to increase steadily for the three years ending 31 December 2023.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the engines, new energy powertrain and related products by the Group to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 2.3% and 2.2% for each of the two years ending 31 December 2023, respectively.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the relevant Existing Caps for the three years ending 31 December 2020 mainly due to the lower-than-expected demand for the Group's products by Yangzhou Yaxing and its subsidiaries as a result of the then market environment and conditions during the relevant period, in particular, the negative impact of COVID-19 on the passenger vehicle industry in the first half of 2020. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Cap for the year ending 31 December 2021 at RMB660,000,000 with a downward adjustment as compared to the Existing Cap of RMB1,090,000,000 for the year ending 31 December 2020.

## LETTER FROM THE BOARD

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2023:

	2021 <i>RMB</i>	2022 <i>RMB</i>	2023 <i>RMB</i>
New Cap	660,000,000	675,000,000	690,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(b), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

*(b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries*

Agreement:	Supplemental Agreement to the Transmissions Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015 and 28 March 2018 respectively)
Date:	27 August 2020
Parties:	1. SFGC  2. Yangzhou Yaxing
Term:	1 January 2021 to 31 December 2023

## LETTER FROM THE BOARD

Other terms and details:

Pursuant to the Transmissions Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), SFGC agreed to sell transmissions to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, SFGC has agreed to sell the said transmissions to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2020, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Transmissions Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: SFGC shall conduct price consultation and inspection in the PRC market in respect of transmissions and analyse the results. After discussion with the pricing committee, SFGC will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said pricing committee shall review the reasonableness of the sale price of the said products on a regular basis and make adjustments where 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 Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 3.(b):

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	61,000,000	76,000,000	95,000,000

## LETTER FROM THE BOARD

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for this Continuing Connected Transaction set out in this sub-section 3.(b):

	<b>For the year ended 31 December 2018 RMB (audited)</b>	<b>For the year ended 31 December 2019 RMB (audited)</b>	<b>For the six months ended 30 June 2020 RMB (unaudited)</b>
Actual transaction amount	5,886,976	26,021,971	15,515,603

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2023 will not exceed RMB50,000,000, RMB60,000,000 and RMB72,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said transmissions from SFGC as one of the components for the production of passenger vehicles. Taking into account (i) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (ii) the expected increase in the demand for the said transmissions by Yangzhou Yaxing and its subsidiaries, and (iii) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would increase for the three years ending 31 December 2023.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 20.0% and 20.0% for each of the two years ending 31 December 2023, respectively.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the Existing Caps for the three years ending 31 December 2020 mainly because the lower-than-expected demand for the Group's products by Yangzhou Yaxing and its subsidiaries as a result of the then market environment and conditions during the relevant period, in particular, the negative impact of COVID-19 on the passenger vehicle industry in the first half of 2020. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Caps for the three years ending 31 December 2023 with significant downward adjustments as compared to the Existing Caps in respect of this Continuing Connected Transaction. The New Cap for the year ending 31 December 2021 is set at RMB50,000,000 while the Existing Cap for the year ending 31 December 2020 is RMB95,000,000.

## LETTER FROM THE BOARD

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2023:

	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	50,000,000	60,000,000	72,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(a), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

(c) *Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries*

Agreement: Supplemental Agreement to the Axles Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015 and 28 March 2018 respectively)

Date: 27 August 2020

Parties: 1. Hande Axle  
2. Yangzhou Yaxing

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Axles Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), Hande Axle agreed to sell axles to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness with a payment term of two months for a term of three years ending 31

## LETTER FROM THE BOARD

December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, Hande Axle has agreed to sell the said axles to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2023, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Axles Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: Hande Axle, through its marketing department, shall conduct an analysis of the price of the relevant products in the PRC market and submit a proposal on the sale price of the relevant products, taking into account the relevant production cost and potential profit, to its price management department for approval. Hande Axle shall then negotiate and determine the price with the other parties on the basis of such proposal, fully considering the mutual interests of both parties. The price management department shall review the reasonableness of the sale price of the said products on a regular basis and make adjustments where 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 Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 3.(c):

	<b>2018</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>	<b>2020</b> <i>RMB</i>
Existing Cap	72,000,000	88,000,000	110,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(c):

	<b>For the</b> <b>year ended</b> <b>31 December</b> <b>2018</b> <i>RMB</i> <i>(audited)</i>	<b>For the</b> <b>year ended</b> <b>31 December</b> <b>2019</b> <i>RMB</i> <i>(audited)</i>	<b>For the</b> <b>six months</b> <b>ended</b> <b>30 June 2020</b> <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	55,043,096	59,230,086	31,593,147



## LETTER FROM THE BOARD

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(c) for the three years ending 31 December 2023 will not exceed RMB77,000,000, RMB90,000,000 and RMB101,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said axles from Hande Axle as components for the production of passenger vehicles. In recent years, Hande Axle mainly supplies its products to heavy-duty trucks market, passenger vehicle market and the off highway market, and Yangzhou Yaxing and its subsidiaries are key clients of Hande Axle in respect of its development of the passenger vehicle market. Taking into account (i) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (ii) expected increase in the demand for axles by Yangzhou Yaxing and its subsidiaries, and (iii) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would increase for the three years ending 31 December 2023.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 16.9% and 12.2% for each of the two years ending 31 December 2023, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(c) for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	77,000,000	90,000,000	101,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(a), 3.(b) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction, this Supplemental Agreement and the proposed New Caps are subject to the relevant resolution being passed at the EGM.

## LETTER FROM THE BOARD

### 4. *Continuing Connected Transactions between Weichai Westport and the Group*

#### *Weichai Westport*

Weichai Westport is principally engaged in the business of research and development, manufacture and sale of gas engines and parts used in motor vehicles, power generation and marine vessels and relevant parts and components, modification of gas engines, business consultation and services. Weichai Westport is held as to 51% by Weichai Holdings, a substantial Shareholder of the Company. Accordingly, Weichai Westport is a connected person of the Company.

(a) *Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport*

Agreement:	Supplemental Agreement to the framework agreement in relation to the supply of base engines, gas engine parts and related products by the Company (and its subsidiaries and/or associates) to Weichai Westport (the “ <b>Weichai Westport Supply Agreement</b> ”) dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively)
Date:	27 August 2020
Parties:	1. (a) The Company (b) Weichai Reproduction (c) Weichai Freshen Air  2. Weichai Westport
Term:	1 January 2021 to 31 December 2023
Other terms and details:	

Pursuant to the Weichai Westport Supply Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai After-sales Services, Weichai Reproduction and Weichai Freshen Air (and/or other associates of the Company) has supplied certain base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport, at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term from 1 January 2018 to 31 December 2020, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. This Continuing Connected Transaction has been conducted on normal commercial

## LETTER FROM THE BOARD

terms and terms no less favourable to the Company than those available to the Company from independent third parties.

Pursuant to this Supplemental Agreement, each of the Company, Weichai Reproduction and Weichai Freshen Air (and/or other associates of the Company) shall supply certain base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport, on the same terms for a term from 1 January 2021 to 31 December 2023, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Westport Supply Agreement (as supplemented by the abovementioned supplemental agreement but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The sale price of the said products and services is determined according to the following mechanism: through market analysis of specific products by the market management department of the Company on a quarterly basis in general, a proposal on the price, which is formulated taking into account an analysis of a number of factors (including the prices of at least one to two relevant products in the market in general, market share, orders situation and performance of major competitors in the market), shall be submitted to the price management department of the Company for approval. The final price shall be determined based on arm's length negotiations between the parties. The price management department shall review the reasonableness of the price on a regular basis and make adjustments where 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 the minority Shareholders.

The table below summarises the Existing Caps for the Continuing Connected Transaction set out in this sub-section 4.(a) for the three years ending 31 December 2020:

	<b>2018</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>	<b>2020</b> <i>RMB</i>
Existing Cap	2,600,000,000	3,000,000,000	3,500,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 4.(a):

	<b>For the</b> <b>year ended</b> <b>31 December</b> <b>2018</b> <i>RMB</i> <i>(audited)</i>	<b>For the</b> <b>year ended</b> <b>31 December</b> <b>2019</b> <i>RMB</i> <i>(audited)</i>	<b>For the</b> <b>six months</b> <b>ended</b> <b>30 June</b> <b>2020</b> <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	322,279,891	1,147,911,086	771,880,852

## LETTER FROM THE BOARD

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2023 shall not exceed RMB580,000,000, RMB630,000,000 and RMB680,000,000 respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

In the past, the Group mainly sold the said base engines, gas engine parts, related products and provided related services to Weichai Westport, and Weichai Westport modified and assembled them into gas engines, which were in turn sold by Weichai Westport back to the Group for onward sale to its customers. The transaction model between Weichai Westport and the Group has been adjusted: (i) the Group focuses on the purchase of relevant processing services from Weichai Westport to modify the base engines to gas engines for onward sale to the customers of the Group, and (ii) due to the relevant upgrade in emission standards for base engines, it is expected that the amount of services required to be provided by the Group to Weichai Westport will decrease gradually and the relevant transaction amount will thus decrease gradually in the future. Despite the aforesaid, it is expected that there will be a steady increase in demand for the gas engines modified and assembled by Weichai Westport as described above, and in turn, Weichai Westport will continue to have an increasing demand in the Group's gas engine parts and related products and services for its production.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts and the abovementioned adjustments in the transaction model, (ii) the estimate of the volume of base engines, gas engine parts, utility and labour services, technology development services and related products and services required by Weichai Westport, and (iii) the average unit prices of such base engines, gas engine parts and related products. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the Group's base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport on an annual basis will increase by approximately 8.6% and 7.9% for each of the two years ending 31 December 2023, respectively.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the Existing Caps for the three years ending 31 December 2020 mainly due to (i) the lower-than-expected demand for the Group's relevant products and services by Weichai Westport as a result of the then market environment and conditions during the relevant period, and (ii) the adjustments in the transaction model between Weichai Westport and the Group as described above. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Caps for the three years ending 31 December 2023 with significant downward adjustments as compared to the Existing Caps in respect of this Continuing Connected Transaction. The New Cap for the year ending 31 December 2021 is set at RMB580,000,000 while the Existing Cap for the year ending 31 December 2020 is RMB3,500,000,000.

## LETTER FROM THE BOARD

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 4.(a) for the three years ending 31 December 2023:

	2021 RMB	2022 RMB	2023 RMB
New Cap	580,000,000	630,000,000	680,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(a), 3.(b) and 3.(c) herein) exceeds the 5% Threshold, the Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Pursuant to the requirements of the Shenzhen Listing Rules, this Continuing Connected Transaction has also been aggregated with the PRC Continuing Connected Transactions, and such transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

(b) *Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport*

Agreement: Supplemental Agreement to the framework agreement in relation to the purchase of gas engines, gas engine parts and related products by the Company (and its subsidiaries and/or associates) from Weichai Westport ("**Weichai Westport Purchase Agreement**") dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company  
(b) Weichai Reproduction  
  
2. Weichai Westport

Term: 1 January 2021 to 31 December 2023

## LETTER FROM THE BOARD

Other terms and details:

Pursuant to the Weichai Westport Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai Reproduction and Weichai After-sales Services (and/or other associates of the Company) has purchased certain gas engines, gas engine parts, labour services and related products from Weichai Westport, at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis, for a term from 1 January 2018 to 31 December 2020, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. This Continuing Connected Transaction has been conducted on normal commercial terms and terms no less favourable to the Company than those available to the Company from independent third parties.

Pursuant to this Supplemental Agreement, each of the Company and Weichai Reproduction (and/or other associates of the Company) shall purchase certain gas engines, gas engine parts, labour services and related products and services from Weichai Westport, on the same terms for a term from 1 January 2021 to 31 December 2023, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Westport Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The sale price of the said products and services is determined according to the following mechanism: the market management department of the Company shall regularly carry out market research and analysis on a quarterly basis, taking into account a number of factors (including the prices of at least one to two relevant products in the market in general, market share, orders situation and performance of major competitors in the market). The final price shall be determined based on arm's length negotiations between the parties. The price management department shall review the reasonableness of the price on a regular basis and make adjustments where 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 the minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 4.(b):

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	5,400,000,000	6,300,000,000	7,000,000,000

## LETTER FROM THE BOARD

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 4.(b):

	<b>For the year ended 31 December 2018 RMB (audited)</b>	<b>For the year ended 31 December 2019 RMB (audited)</b>	<b>For the six months ended 30 June 2020 RMB (unaudited)</b>
Actual transaction amount	2,129,634,365	2,826,830,688	1,234,499,030

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2023 shall not exceed RMB5,270,000,000, RMB6,320,000,000 and RMB7,570,000,000 respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

According to the sales projection of the Group's heavy-duty vehicles (with gas engines installed) and gas engines, the Company expects that the transaction amount of the said gas engines, gas engine parts and related products purchased by the Group from Weichai Westport to maintain a steady growth for the three years ending 31 December 2023, in line with an increase in the volume of these products to be sold by the Group to third party customers after purchasing the relevant services to modify and assemble the same from Weichai Westport, and the national policies of the PRC and the Group's development plans which are expected to be favourable to the market of the Group's gas engines.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, (ii) the estimate of the volume of gas engines, gas engine parts, labour services and related products and services to be purchased by the Group from Weichai Westport, and (iii) the average unit prices of such gas engines, gas engine parts and related products. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the purchase of gas engines, gas engine parts, labour services and related products and services by the Group from Weichai Westport on an annual basis will increase approximately 19.9% and 19.8% for each of the two years ending 31 December 2023, respectively.

## LETTER FROM THE BOARD

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the Existing Caps for the three years ending 31 December 2020 mainly due to (i) the lower-than-expected demand for Weichai Westport's relevant products and services by the Group and its customers as a result of the then market environment and conditions during the relevant period, and (ii) the adjustments in the transaction model between Weichai Westport and the Group as described in the sub-section 4(a) above. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Caps for the three years ending 31 December 2023 with downward adjustments as compared to the Existing Caps in respect of this Continuing Connected Transaction. The New Cap for the year ending 31 December 2021 is set at RMB5,270,000,000 while the Existing Cap for the year ending 31 December 2020 is RMB7,000,000,000.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 4.(b) for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	5,270,000,000	6,320,000,000	7,570,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-section 2) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Pursuant to the requirements of the Shenzhen Listing Rules, this Continuing Connected Transaction has also been aggregated with the PRC Continuing Connected Transactions, and such transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.



**III. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS**

**Continuing Connected Transactions between Weichai Holding (and its associates) and/or Weichai Heavy Machinery (and its subsidiaries) and the Group**

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines. Prior to the incorporation of the Company and the listing of the Shares on the Stock Exchange, the Company has had business relationships with certain entities. Under the Listing Rules, such entities have become connected persons of the Company since the listing of the Company and the transactions between the Company and such entities constitute continuing connected transactions of the Company. In respect of the Continuing Connected Transactions between the Company and Weichai Holdings, since their production facilities are located in close proximity to each other and in view of the PRC government's policy not to duplicate construction of production and other facilities, certain Continuing Connected Transactions have been continuing since the listing of the Company on the Stock Exchange. After the completion of the Weichai Holdings Juli Restructuring in 2007, certain of these Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

As the Company has conducted these Continuing Connected Transactions with the relevant entities for many years and the Company has built up a long term strategic and solid business relationship with these entities, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected Transactions) consider it beneficial to the Company to continue to conduct these Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the Company. The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected Transactions) are not aware of any disadvantage to the Group in continuing to conduct the Continuing Connected Transactions.

**Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group**

As at the date of this circular, Weichai Holdings is a substantial shareholder and a connected person of the Company. Since Yangzhou Yaxing is a subsidiary of Weichai Holdings, Yangzhou Yaxing and its subsidiaries are associates of Weichai Holdings and connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of the Supplemental Agreements between the Group and Yangzhou Yaxing and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

## LETTER FROM THE BOARD

The Group is engaged in, *inter alia*, the manufacture and sale of diesel engines, transmissions, axles and related products. Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing and its subsidiaries purchase engines, new energy powertrain and related products, transmissions and axles from the Group as components for the production of passenger vehicles. The sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries are expected to increase according to its sales plan, and the demand for engines, new energy powertrain and related products, transmissions and axles and the proportion of vehicles of Yangzhou Yaxing utilising the Group's products are also expected to increase. The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected Transactions) consider that such Continuing Connected Transactions will create synergy potential and strategic benefits between Yangzhou Yaxing and the Group, and will also provide a secured source of revenue for the Group.

### **Continuing Connected Transactions between Weichai Westport (and its subsidiaries) and the Group**

In respect of the Continuing Connected Transactions between the Group and Weichai Westport, the Board is of the view that (i) the sale of base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport; and (ii) the purchase of gas engines, gas engine parts and related products manufactured by Weichai Westport by modifying and utilising the base engines, gas engine parts, labour services and related products and services it purchased from the Group, and the onward sale of the gas engines, gas engine parts and related products by the Group to its customers will allow the Group to maintain a strong strategic and business relationship with Weichai Westport, thereby generating synergy potential and mutual economic benefits between the Group and Weichai Westport. The Board considers that such Continuing Connected Transactions under the relevant Supplemental Agreements will also provide a secure source of revenue for the Group, and the Group will also be able to secure a stable and reliable supply of quality gas engines from Weichai Westport instead of sourcing from other market suppliers.

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser in respect of the Continuing Connected Transactions) have confirmed that all the Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties, and that the pricing policy of each of the Continuing Connected Transactions are consistent with those applied to independent third party customers/suppliers.

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser in respect of the Continuing Connected Transactions) are of the view that all the Continuing Connected Transactions, and the relevant proposed 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 27 August 2020 approving, *inter alia*, the Continuing Connected Transactions, the following Directors have abstained from voting on the resolutions as follows, for the reasons of their respective interest and/or position (as the case may be) in the relevant connected persons:

1. Continuing Connected Transactions with Weichai Holdings (and its associates) set out under section II.1. in the letter from the Board contained in this circular – Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun;
2. Continuing Connected Transaction with Weichai Heavy Machinery (and its subsidiaries) set out under section II.2. in the letter from the Board contained in this circular – Tan Xuguang, Zhang Liangfu, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun;
3. Continuing Connected Transactions with Yangzhou Yaxing (and its subsidiaries) set out under section II.3. in the letter from the Board contained in this circular – Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun; and
4. Continuing Connected Transactions with Weichai Westport set out under section II.4. in the letter from the Board contained in this circular – Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun.

Save as disclosed above, no other Directors have any material interest in the Continuing Connected Transactions.

### **Listing Rules implications**

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transactions as set out in sub-sections II.1., II.2., II.3.(a), (b) and (c), and II.4.(a) and (b) of this circular exceeds the 5% Threshold on an aggregated basis, they constitute Non-exempt Continuing Connected Transactions of the Company and their respective Supplemental Agreement and proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

### IV. PRC CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 27 August 2020 on the Stock Exchange and the announcement of the Company dated 27 August 2020 on the Shenzhen Stock Exchange, which announced, *inter alia*, that the Company has entered into certain Exempt Continuing Connected Transactions which constitute PRC Continuing Connected Transactions.

#### 1. *PRC Continuing Connected Transactions with Weichai Holdings (and its associates)*

On 27 August 2020, the Group has entered into the PRC Supplemental Agreement to (i) the utility services agreement between the Company and Weichai Holdings dated 17 November 2003 ("**Weichai Holdings Utilities Services Agreement**") (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008, 23 August 2010, 29 August 2013, 27 August 2015, 30 August 2016 and 13 July 2018, respectively); and (ii) the utility services agreement between the Company and Chongqing Weichai dated 17 November 2003 ("**Chongqing Weichai Utilities Services Agreement**") (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008, 23 August 2010, 29 August 2013, 27 August 2015, 30 August 2016 and 13 July 2018, respectively) and shall apply for the new caps for such PRC Continuing Connected Transactions for the three years ending 31 December 2023.

As set out in the announcement of the Company dated 27 August 2020, the abovementioned transactions 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, the PRC Continuing Connected Transactions and the relevant new caps are subject to the approval by the Independent Shareholders at the EGM.

#### 2. *PRC Continuing Connected Transactions with Weichai Westport*

On 27 August 2020, the Group has entered into the PRC Supplemental Agreements to (i) the framework agreement in relation to the provision of logistics and storage services by Weichai Logistics (and its associates) to Weichai Westport ("**Weichai Westport Logistics Agreement**") dated 25 December 2012 (as supplemented by the supplemental agreements dated 28 November 2013, 8 December 2014 and 14 July 2017, respectively); and (ii) the framework agreement in relation to the leasing of factory buildings by the Company to Weichai Westport ("**Weichai Westport Leasing Agreement**") dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively), and shall apply for the new caps for such PRC Continuing Connected Transactions for the three years ending 31 December 2023.

## LETTER FROM THE BOARD

The proposed new caps for each of such transactions for the term from 1 January 2021 to 31 December 2023 do not exceed the 0.1% Threshold, and, accordingly, are not subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. Further, each of such PRC Continuing Connected Transactions is of a different nature from and is carried out independently of the Continuing Connected Transactions. However, pursuant to the requirements of the Shenzhen Listing Rules, the PRC Continuing Connected Transactions have been aggregated with the Continuing Connected Transactions, and such PRC Continuing Connected Transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

### Summary of the PRC Continuing Connected Transactions and the proposed new caps

The PRC Continuing Connected Transactions include the following:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Weichai Holdings (and its associates) ( <i>note 1</i> ) (as the case may be)	The Company, Weichai Casting, Weichai Reproduction, Huadong Casting and Weichai Logistics ( <i>note 2</i> ) (as the case may be)	Weichai Holdings is the holder of 17.72% of the equity of the Company	Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)
Weichai Westport	The Company and Weichai Logistics (and/or its associates) ( <i>note 3</i> ) (as the case may be)	Weichai Westport is held as to 51% by Weichai Holdings, a substantial shareholder of the Company	(a) Provision of logistics, storage, etc. services by Weichai Logistics (and/or its associates) to Weichai Westport  (b) Leasing of factory buildings by the Company to Weichai Westport

*Notes:*

1. The associates of Weichai Holdings are Chongqing Weichai, Weichai Import and Export, Yangzhou Special Vehicles and Dezhou Degong.
2. Each of Weichai Casting, Weichai Reproduction, Huadong Casting and Weichai Logistics is a wholly-owned subsidiary of the Company.
3. Weichai Logistics is a wholly-owned subsidiary of the Company.

## LETTER FROM THE BOARD

A summary of the proposed new caps for each of the PRC Continuing Connected Transactions is set out below:

Connected persons and details of the relevant PRC Continuing Connected Transactions	Proposed new caps		
	For the year ending 31 December 2021 <i>RMB</i>	For the year ending 31 December 2022 <i>RMB</i>	For the year ending 31 December 2023 <i>RMB</i>
<b>1. Weichai Holdings (and its associates)</b>			
Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)	750,000,000	790,000,000	831,000,000
<b>2. Weichai Westport</b>			
(a) Provision of logistics, storage, etc. services by Weichai Logistics (and/or its associates) to Weichai Westport	30,000,000	37,000,000	44,000,000
(b) Leasing of factory buildings by the Company to Weichai Westport	9,000,000	9,000,000	9,000,000

For details of the PRC Continuing Connected Transactions and the PRC Supplemental Agreements, please refer to (i) the announcement of the Company entitled 《濰柴動力股份有限公司日常持續性關聯交易公告》 (“Announcement of Weichai Power Co., Ltd. in respect of its Continuing Connected Transactions in the Ordinary Course of Business”) dated 27 August 2020 on the Shenzhen Stock Exchange and (ii) the sections headed “II.1.(a). Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)” and “IV. PRC Continuing Connected Transactions” in the announcement of the Company dated 27 August 2020 in respect of the continuing connected transactions of the Company.

### V. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In line with the development needs of the Company’s business, in compliance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Guidelines for the Articles of Association of Listed Companies (2019 revision) (《上市公司章程指引(2019年修訂)》), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), the Notice regarding the Implementation of Standardised Registration of Business Scope of Market Participants (《關於全面實行市場主體經營範圍規範化登記的通知》) promulgated by the Shandong Provincial Bureau for Market Regulation (山東省市場監督管理局) and other relevant laws and regulations, the Board proposes to make certain amendments to the Articles of Association to expand the scope of business of the Company and to make certain consequential changes to the amendment history of the Articles of Association.

## LETTER FROM THE BOARD

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

**(a) Article 7 of the Articles of Association:**

The words “amended at the Company’s 2020 second extraordinary general meeting held on 13 November 2020,” be inserted after the words “... amended at the Company’s 2019 annual general meeting held on 29 June 2020, ...” in the first paragraph of the existing Article 7.

**(b) Article 13 of the Articles of Association:**

The second paragraph of the existing Article 13 be deleted in its entirety and be replaced by:

*“The scope of business of the Company includes:*

*Permitted businesses: import and export of technology; import and export of goods.*

*General businesses: research and development of machinery and equipment; sale of machinery and equipment; manufacture of general equipment (excluding special equipment); repair of general equipment; research and development of automobile components; manufacture of automobile components and parts; wholesale of automobile components and parts; sale of automobile components and parts; repair of speciality equipment; sale of mechanical parts and components; data processing and storage support services; software development; development of network and information security software; development of artificial intelligence theory and algorithm software; sale of software; design of integrated circuit; manufacture of integrated circuit; sale of integrated circuit; manufacture of intelligent vehicle equipment; sale of intelligent vehicle equipment; information technology consulting services; provision of geographic remote sensing information service; manufacture of hydraulic power machinery and components; sale of hydraulic power machinery and components; manufacture of hydraulic pneumatic seals and systems; sale of hydraulic pneumatic seals and systems; research and development of new energy technology; engineering and technical research and experimental development; research and development of electric motor and its control system; manufacture of electric motors; manufacture of batteries; sale of batteries; manufacture of electronic components; sale of electronic components; sale of electronic accessories of new energy vehicles; technical services, technological development, technological consultation, technological exchange, technological transfer, technological promotion; processing and manufacture of lubricating oil (excluding hazardous chemicals); sale of lubricating oil; manufacture of speciality chemicals (excluding hazardous chemicals); sale of speciality chemicals (excluding hazardous chemicals); sale of petroleum products (excluding hazardous chemicals); wholesale of refined oil (excluding hazardous chemicals); lease of non-residential properties; sale of metal materials; enterprise management and consulting.”*

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

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

## LETTER FROM THE BOARD

### VI. EGM

It was proposed that the relevant New Caps and the Supplemental Agreements in respect of the Continuing Connected Transactions and the relevant new caps and the PRC Supplemental Agreements in respect of the PRC Continuing Connected Transactions shall be considered and, if thought fit, approved at the EGM.

The EGM will be held at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 13 November 2020, Friday to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the EGM set out in pages 101 to 105 of this circular.

No Shareholder is required to abstain from voting in respect of the resolutions to be proposed at the EGM save that (1) Weichai Holdings and its associates (if any) (which held 1,406,100,000 A Shares, representing approximately 17.72% of the issued share capital of the Company, as at the Latest Practicable Date), (2) Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu and Mr. Sun Shaojun, being executive Directors (who together held 99,895,568 A Shares, representing approximately 1.26% of the issued share capital of the Company, as at the Latest Practicable Date), and (3) Mr. Wu Hongwei and Mr. Lu Wenwu, being supervisors of the Company (who together held 5,389,516 A Shares, representing approximately 0.07% of the issued share capital of the Company, as at the Latest Practicable Date), will abstain from voting in respect of the resolutions regarding the Continuing Connected Transactions and the PRC Continuing Connected Transactions proposed at 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 forms of proxy published by the Company on the website of the Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Legal and Securities Affairs Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the 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.

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

The register of holders of H Shares of the Company will be closed from 10 November 2020 to 13 November 2020, 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 9 November 2020.



## LETTER FROM THE BOARD

### VIII. 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 Continuing Connected Transactions), are of the opinion that the relevant New Caps and the terms of the Supplemental Agreements in respect of the Continuing Connected Transactions are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms (or better to the Group), and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions regarding the same.

The Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang) has been appointed to consider the Continuing Connected Transactions and the respective New Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Supplemental Agreements in respect of the Continuing Connected Transactions and the respective New Caps. Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, and (ii) the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the relevant New Caps and the Supplemental Agreements in respect of the Continuing Connected Transactions, which are set out in this circular.

Further, the Board considers that other resolutions to be proposed at the EGM 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.

### IX. 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 CONTINUING CONNECTED TRANSACTIONS**



**潍柴動力股份有限公司**

**WEICHAI POWER CO., LTD.**

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

**(Stock Code: 2338)**

23 October 2020

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

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Weichai Power Co., Ltd. to consider the Supplemental Agreements and the relevant New Caps (as defined in the circular of the Company dated 23 October 2020) (the “**Circular**”) in relation to the Continuing Connected Transactions, details of which are set out in the section headed “II. The Continuing Connected Transactions” in the “Letter from the Board” contained in the Circular. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

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

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

**Li Hongwu**  
*Independent  
non-executive Director*

Yours faithfully,  
The Independent Board Committee

**Wen Daocai**  
*Independent  
non-executive Director*

**Jiang Yan**  
*Independent  
non-executive Director*

**Yu Zhuoping**  
*Independent  
non-executive Director*

**Zhao Huifang**  
*Independent  
non-executive Director*

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

*The following is the full text of the letter dated 23 October 2020 from Trinity Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the provision of the Continuing Connected Transactions and the respective 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.

23 October 2020

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

Dear Sirs,

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the relevant New Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 23 October 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Board announced that on 27 August 2020, the Company entered into, *inter alia*, the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described in the Letter from the Board.

The Company also entered into certain PRC Supplemental Agreements in respect of the PRC Continuing Connected Transactions as set out in the Letter from the Board.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transactions for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections II.1, II.2., II.3.(a), (b) and (c), and II.4.(a) and (b) in the Letter from the Board) exceeds the 5% Threshold, such Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS**

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

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 major and continuing connected transactions in respect of the new financial services agreement of the Company announced on 25 March 2019 (details of which were set out in the circular of the Company dated 3 May 2019). Apart from normal professional fees paid to us in connection with such appointment, 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 Non-exempt Continuing Connected Transactions.

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

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### A. 1. The Background and financial performance of the Company

Reference is made to the announcements of the Company dated 14 July 2017, 28 March 2018 and 13 July 2018, respectively, in respect of, *inter alia*, the Continuing Connected Transactions of the Company where the Existing Caps for such Continuing Connected Transactions were set.

For these Continuing Connected Transactions, the Company proposes to apply for New Caps. For such purposes, the Group entered into the Supplemental Agreements. The Supplemental Agreements and the relevant New Caps in respect of (i) the Non-exempt Continuing Connected Transactions are conditional upon the approval of the Independent Shareholders at the EGM and (ii) the Exempt Continuing Connected Transactions which constitute PRC Continuing Connected Transactions are conditional upon the approval of the Independent Shareholders at the EGM. Our advice herein relates only to the Non-exempt Continuing Connected Transactions.

As disclosed in the annual report of the Company for the financial year ended 31 December 2019, driven by the national investment in infrastructure in the PRC, as well as benefiting from various factors such as the imposition of more stringent emission regulations and anti-overloading policies and structural adjustments in the transportation industry, the commercial vehicles and the construction machinery markets maintained stable performance, while the heavy-duty trucks market delivered sales of 1,174,000 units in total, representing a year-on-year growth of 2.3%. The construction machinery industry (among which forklift truck engines use internal combustion engines) delivered sales of 741,000 units, representing a year-on-year growth of 5.3%, among which the sales volume of wheel loaders with a load capacity of 3 tonnes and above was 112,000 units, representing a year-on-year growth of 5.6%.

During the financial year ended 31 December 2019, the Company's revenue increased by 9.5% compared with that in the corresponding period of 2018 to approximately RMB174,361 million. The net profit attributable to shareholders of the Company was approximately RMB9,105 million, representing an increase of 5.2% compared with that in the corresponding period of 2018. The basic earnings per share was RMB1.15, representing an increase of 6.0% compared with that in the corresponding period of 2018.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

**2. Development outlook and prospects**

According to the Chairman's Statement set out in the Company's interim results announcement for the six months ended 30 June 2020, the Company considers that despite the impact of the COVID-19 outbreak around the globe, the Company has implemented precise strategies and scientific planning to overcome the adverse impacts brought by COVID-19 and to seize the opportunity of economic recovery, leading to a growth in domestic operation, rapid growth in new business formats and increase in the number of orders of the intelligent logistics business despite the adversity. The Company believes that this is a result of the strength of its diversified business structure and enhanced risk resistance capabilities. In the first half of 2020, the Company's revenue increased by approximately 4.0% compared with that in the corresponding period of 2019 to approximately RMB94,495 million. Net profit attributable to shareholders of the listed company was approximately RMB4,680 million, representing a decrease of approximately 11.5% compared with that in the corresponding period of 2019.

**B. Principal Terms of the Continuing Connected Transactions**

The Continuing Connected Transactions include the following, all of which are Non-exempt Continuing Connected Transactions:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Weichai Holdings (and its associates) ( <i>note 1</i> ) (as the case may be)	The Company, Weichai Casting, Weichai Reproduction, Huadong Casting and Weichai Logistics ( <i>note 2</i> ) (as the case may be)	Holder of 17.72% of the equity of the Company	Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)
2. Weichai Heavy Machinery (and its subsidiaries) ( <i>note 3</i> )	The Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Baudouin China ( <i>note 2</i> ) (as the case may be)	Held as to 30.59% by Weichai Holdings	Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
3. Yangzhou Yaxing and its subsidiaries	The Company and Weichai Logistics ( <i>note 2</i> )	Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings	(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries
	SFGC ( <i>note 4</i> )		(b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries
	Hande Axle ( <i>note 5</i> )		(c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries
4. Weichai Westport	The Company, Weichai Reproduction and Weichai Freshen Air (as the case may be) ( <i>note 2</i> )	Weichai Westport is held as to 51% by Weichai Holdings	(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport
			(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport

*Notes:*

- The associates of Weichai Holdings are Chongqing Weichai, Weichai Import and Export, Yangzhou Special Vehicles and Dezhou Degong.
- Each of Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Weichai Freshen Air is a wholly-owned subsidiary of the Company. Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company.
- The subsidiary of Weichai Heavy Machinery is Weichai Electric Equipment, being a wholly-owned subsidiary of Weichai Heavy Machinery.
- SFGC is a 51% subsidiary of the Company.
- Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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**C. Proposed New Caps**

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

Connected person and details of the relevant Continuing Connected Transactions	New Caps		
	2021 RMB	2022 RMB	2023 RMB
<b>1. Weichai Holdings (and its associates)</b>			
Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)	3,900,000,000	5,200,000,000	6,900,000,000
<b>2. Weichai Heavy Machinery (and its subsidiaries)</b>			
Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)	640,000,000	695,000,000	760,000,000
<b>3. Yangzhou Yaxing and its subsidiaries</b>			
(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries	660,000,000	675,000,000	690,000,000
(b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries	50,000,000	60,000,000	72,000,000
(c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries	77,000,000	90,000,000	101,000,000



<p><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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Connected person and details of the relevant Continuing Connected Transactions	2021 RMB	New Caps 2022 RMB	2023 RMB
<b>4. Weichai Westport</b>			
(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport	580,000,000	630,000,000	680,000,000
(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport	5,270,000,000	6,320,000,000	7,570,000,000

*Note:*

1. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions under (i) paragraphs 1, 3.(a), 3.(b), 3.(c) and 4.(a) have been aggregated, and (ii) paragraphs 2 and 4.(b) have been aggregated.

With respect to the future growth of business operations anticipated by the Company which mainly forms the basis of the proposed New Caps for each of the Continuing Connected Transactions as set out above, we have conducted review of a third party industry report issued by Standard & Poor's Global on 16 July 2020, titled "Carmakers are a step behind in industrial China's COVID comeback" (source: [www.spglobal.com/ratings/en](http://www.spglobal.com/ratings/en)) (the "**S&P Sector Report**"). We note from the S&P Sector Report that China's heavy-duty truck sales rebounded after COVID-19 was largely contained in the country, with year-on-year growth of about 60% in April - June 2020. Year-to-date, heavy-duty truck sales have grown 24% year-on-year, from a record high base set in 2019. The strong demand is due to healthy logistics and strong demand from the construction sector, as well as a government push to upgrade national emission standards.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

**D. Details of the Relevant Supplemental Agreements, Existing Caps and historical amounts of the Non-exempt Continuing Connected Transactions**

*The Company and its subsidiaries*

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts. Chongqing Branch is the Company's facility (being its branch office) in Chongqing Municipality.

Weichai After-sales Services was a wholly-owned subsidiary of the Company and was principally engaged in the sales of parts and components of diesel engines. It has now been deregistered.

Weichai Casting is a wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of casting; manufacture, sale, hot treatment and cleansing of forging and stamping parts.

Weichai Reproduction is a wholly-owned subsidiary of the Company and is principally engaged in the reproduction of parts and components of vehicles.

Huadong Casting is an indirect wholly-owned subsidiary of the Company and is principally engaged in casting and sale of engine parts.

Weichai Logistics is a wholly-owned subsidiary of the Company and is principally engaged in general transportation, storage, delivery and basic assembly of machine accessories and power.

Weichai Yangzhou is indirectly held as to approximately 71.06% by the Company and is principally engaged in the design, development, manufacture, sale and maintenance of diesel engines.

Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company and is principally engaged in the manufacture, design, sale, development and maintenance of diesel engines and related products.

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

Hande Axle is principally engaged in the research and development, production, sale and services of vehicle axles and their parts and components. Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.

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

Weichai Freshen Air is a wholly-owned subsidiary of the Company and 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.

**1. *Continuing Connected Transactions between Weichai Holdings (and its associates) and the Group***

*Weichai Holdings and its associates*

Weichai Holdings is principally engaged in the management, investment and the provision of general services.

Chongqing Weichai is principally engaged in the manufacture and sale of diesel engines and related products.

Weichai Import and Export is principally engaged in the import and export of certain products including diesel engine parts and components and the provision of the relevant service.

Yangzhou Special Vehicles is principally engaged in the manufacturing and sale of special vehicles, semi-trailers and modified vehicles.

Dezhou Degong is principally engaged in the research and manufacture, production, sale, maintenance, lease of wheel-loaders, road building and maintenance machineries and components, and relevant technical consulting and services (excluding intermediaries); leasing of houses; loading and unloading services; import and export of goods and technology.

Weichai Holdings is a substantial shareholder of the Company, and is accordingly a connected person of the Company. Chongqing Weichai, Weichai Import and Export and Yangzhou Special Vehicles are wholly-owned subsidiaries of Weichai Holdings and are, accordingly, associates of Weichai Holdings and connected persons of the Company.

Dezhou Degong is a wholly-owned subsidiary of Shandong Heavy Industry, the holding company of Weichai Holdings. Hence, Dezhou Degong is an associate of Weichai Holdings and a connected person of the Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries: (i) Weichai Holdings is wholly-owned by Shandong Heavy Industry, and (ii) Shandong Heavy Industry is ultimately governed and controlled by Shandong Provincial People's Government.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

Sale of diesel engines, diesel engine parts and components, materials, semi- finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)

Agreement: Supplemental Agreement to the diesel engines, diesel engine parts and components, materials and related products sale and provision of processing services agreement between (i) the Company, Weichai After- sales Services and (ii) Weichai Holdings, Chongqing Casting, Weichai Import and Export and Chongqing Weichai (“**Weichai Sale and Processing Services Agreement**”) dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016, 30 August 2017 and 13 July 2018, respectively)

Date: 27 August 2020

Parties:

1. (a) The Company  
(b) Weichai Casting  
(c) Weichai Reproduction  
(d) Weichai Logistics
2. (a) Weichai Holdings  
(b) Weichai Import and Export  
(c) Chongqing Weichai  
(d) Yangzhou Special Vehicles  
(e) Dezhou Degong

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Sale and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) has sold diesel engines, diesel engine parts and components, materials, semi- finished products, hydraulic products and related products and to provide the processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai Yangzhou Special Vehicles, Dezhou Degong and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

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

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) shall sell the said diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide the said processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Yangzhou Special Vehicles, Dezhou Degong and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis. The said Supplemental Agreement shall be effective for a term of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Sale and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) as set out above remain unchanged.

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

According to the Letter from the Board, the price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered, submits a price suggestion after its analysis to the Company's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

Also, we have reviewed 3 samples selected by the Company on a random basis of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

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 and we concur that such methods and

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2020:

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	2,610,000,000	3,475,000,000	4,610,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1:

	<b>For the year ended 31 December 2018 <i>RMB</i> (audited)</b>	<b>For the year ended 31 December 2019 <i>RMB</i> (audited)</b>	<b>For the six months ended 30 June 2020 <i>RMB</i> (unaudited)</b>
Actual transaction amount	1,516,092,915	1,753,889,371	743,269,773
Utilisation Rate (%)	58.09	50.47	16.12

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended on 31 December 2019 were relatively high at 58.09% and 50.47% respectively and the utilisation rate for the six months ended 30 June 2020 was 16.12%. We have discussed with the Company and understand that the main reason for the relatively low utilisation rate for the six months ended 30 June 2020 was due to the short-term negative impact of COVID-19 on the passenger vehicles and overseas markets and the utilisation rate is expected to increase in the three financial years ending 31 December 2023 due to the basis of computation of New Caps set out below. Also, having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019, the Company has reduced the existing cap of RMB4.61 billion for the year ending on 31 December 2020 to RMB3.9 billion for the year ending on 31 December 2021 in the New Caps. We consider that this downward adjustment is fair and reasonable.

The Company estimates that the transaction amounts for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2023 will not exceed RMB3,900 million, RMB5,200 million and RMB6,900 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

<p><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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**Basis of computation of New Caps**

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, and (ii) the estimate of the number of diesel engines, diesel engine parts and components, materials, semi-finished products and hydraulic products required by Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Yangzhou Special Vehicles and Dezhou Degong (as the case may be) in view of the implementation of the Group’s sales plan for the years 2021 to 2023, having taken into account the estimated market conditions and export performance, the average unit prices of the same, and the costs of the processing services to be provided. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said sale of products and services will grow by approximately 33.3% and 32.7% for each of the years ending 31 December 2022 and 31 December 2023, respectively.

As illustrated above, the proposed New Caps for the three years ending 31 December 2023 are relatively larger than the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction. This is mainly because of (i) the relatively low utilisation rate of the actual transaction amounts compared to the Existing Caps resulted from the lower-than-expected demand for the Group’s products by Weichai Holding and its associates due to the then market environment and conditions during the relevant period, in particular, in respect of the six months ended 30 June 2020, which was affected by the short-term negative impact of COVID-19 on the passenger vehicles and overseas markets, and (ii) the expected recovery and steady increase of sales volume of the Group for the three years ending 31 December 2023. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Cap for the year ending 31 December 2021 at RMB3,900,000,000 with a downward adjustment as compared to the Existing Cap of RMB4,610,000,000 for the year ending 31 December 2020.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2023:

	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	3,900,000,000	5,200,000,000	6,900,000,000

We have reviewed the Group’s sales plan for 2021-2023 relating to the projection of the number of engines and related products to be sold and discussed with the management on the basis of the estimated transaction amounts with reference to the industry prospects as stated in the S&P Sector report as mentioned in “Section C. Proposed New Caps” above. We understand that the management generally agrees with the future outlook of the Company’s operational performance as stated in the

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

S&P Sector Report, that it is estimated that the Company will likely benefit from the strong demand for heavy-duty trucks in 2020 given its commanding position in making engines for such vehicles, and that the strong performance in the domestic market may offset disruptions to its overseas operations stemming from COVID-19.

In addition, we have reviewed the 2019 annual report of the Company and note that 2020 will be a critical year for the Company to achieve breakthroughs and take lead in traditional businesses, as well as to expedite the implementation of the “dual-million” strategy for engines. The Company will seek breakthroughs in segment markets, consolidate its development strengths, and speed up the pace of digital transformation by innovation to develop into an intelligent enterprise, enabling the Company to achieve its goal towards high-quality, stable and progressive growth. As at 31 December 2019, the Company’s order on hand amounted to approximately RMB38.4 billion. The Company expects that its sales revenue in 2020 would increase by approximately 8% to approximately RMB188.5 billion.

Given the expected business growth for 2021-2023 as stated in the Group’s sales plan aligns with the expected strong industry demand as analysed in the S&P Sector Report, we consider the proposed New Caps set out above are in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 3.(a), 3.(b), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non- exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction, and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

2. *Continuing Connected Transactions between Weichai Heavy Machinery (and its subsidiaries) and the Group*

*Weichai Heavy Machinery and its subsidiaries*

Weichai Heavy Machinery is principally engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts.

Weichai Electric Equipment is a wholly-owned subsidiary of Weichai Heavy Machinery and is principally engaged in the research and development, production, sale and repair of power generators, pump units, air compressor units, hydraulic pump units and their respective components and the import and export of permitted goods and technology.

Weichai Heavy Machinery is an associate of Weichai Holdings (a substantial shareholder of the Company), and accordingly, Weichai Heavy Machinery and Weichai Electric Equipment are connected persons of the Company.

*Purchase of diesel engine parts and components, materials, steel and scrap metal etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)*

Agreement: Supplemental Agreement to the diesel engine parts and components, materials, steel and scrap metal, etc. and related products purchase and processing services agreement between (i) the Company and Weichai After-sales Services and (ii) Weichai Heavy Machinery dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016 and 13 July 2018, respectively) (**“Weichai Heavy Machinery Purchase and Processing Services Agreement”**)

Date: 27 August 2020

Parties:

1. (a) The Company  
(b) Weichai Casting  
(c) Weichai Reproduction  
(d) Huadong Casting  
(e) Weichai Logistics  
(f) Baudouin China
2. (a) Weichai Heavy Machinery  
(b) Weichai Electric Equipment

Term: 1 January 2021 to 31 December 2023

<p style="text-align: center;"><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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Other terms and details:

Pursuant to the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) have purchased certain diesel engine parts and components, steel and scrap metal etc., materials, diesel engines and labour and processing services from Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) shall purchase the said parts and components, steel and scrap metal etc., materials, diesel engines and labour and processing services from Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis. This Supplemental Agreement shall be effective for a term of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

**Price determination and internal control procedures**

According to the Letter from the Board, the price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered, submits a price suggestion after its analysis to the Company's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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Also, we have reviewed 2 samples selected by the Company on a random basis of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

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 and we concur that such methods and procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2020 the Continuing Connected Transaction set out in this sub-section 2:

	<b>2018</b> <i>RMB</i>	<b>2019</b> <i>RMB</i>	<b>2020</b> <i>RMB</i>
Existing Caps	550,000,000	630,000,000	720,000,000

The table below summarises the aggregate actual transaction amounts involved for the purchases and processing services for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2:

	<b>For the</b> <b>year ended</b> <b>31 December</b> <b>2018</b> <i>RMB</i> (audited)	<b>For the</b> <b>year ended</b> <b>31 December</b> <b>2019</b> <i>RMB</i> (audited)	<b>For the</b> <b>six months</b> <b>ended</b> <b>30 June</b> <b>2020</b> <i>RMB</i> (unaudited)
Actual transaction amount	388,463,876	412,470,453	195,623,176
Utilisation Rate (%)	70.63	65.47	27.17

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended 31 December 2019 were relatively high at 70.63% and 65.47% respectively and the utilisation rate for the six months ended 30 June 2020 was more or less proportional to the previous year's percentage at 27.17%.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

The Company estimates that the aggregate transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB640 million, RMB695 million and RMB760 million for each of the three years ending 31 December 2023 and therefore such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

**Basis of computation of New Caps**

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) the estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts in view of the implementation of the Group's procurement plan for the years 2021 to 2023, and (iii) the market prices of the relevant raw materials, steel, scrap metal, diesel engines and related products and the costs of labour and processing services to be purchased by the Group. 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 will increase by approximately 8.6% and 9.4%, for each of the years ending 31 December 2022 and 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	640,000,000	695,000,000	760,000,000

We have reviewed the Group's procurement plan for 2021-2023, which shows an annual growth of approximately 9.9% and 9.0% for the production of certain type of engines by the Company for the two years ending on 31 December 2023 respectively, and have discussed with the management on the basis of the estimated transaction amounts above which shows a similar annual increase of approximately 8.6% and 9.4% when such amounts are compared to its respective preceding year of annual cap, and accordingly we agree that the proposed New Caps set out above are in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-section 4.(b) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

**3. *Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group***

*Yangzhou Yaxing and its subsidiaries*

Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings, a substantial shareholder of the Company. Accordingly, Yangzhou Yaxing and its subsidiaries are associates of Weichai Holdings and connected persons of the Company.

*(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries*

Agreement: Supplemental Agreement to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015, 29 September 2016 and 28 March 2018, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company  
(b) Weichai Logistics  
2. Yangzhou Yaxing

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company, Weichai Logistics and/or other subsidiaries of the Company has sold certain engines, new energy powertrain and related products to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term of three years ending 31 December 2020. This Continuing Connected Transaction

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, the Company, Weichai Logistics and/or other subsidiaries of the Company shall sell engines, new energy powertrain and related products to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2023, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

**Price determination and internal control procedures**

According to the Letter from the Board, the price of the said products shall be determined according to the following mechanism: the Group, through its marketing department, shall regularly collect market information, including conducting price consultation and inspection in the PRC market in respect of the relevant products, and analyse the results. After discussion with the price management department, the Group will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said department shall review the reasonableness of the sale price of the said products on a regular basis and make adjustments where necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

Also, we have reviewed 2 samples selected by the Company on a random basis of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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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 and we concur that such methods and procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 3.(a):

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	710,000,000	870,000,000	1,090,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(a):

	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>year ended</b>	<b>year ended</b>	<b>six months</b>
	<b>31 December</b>	<b>31 December</b>	<b>ended</b>
	<b>2018</b>	<b>2019</b>	<b>30 June</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(unaudited)
Actual transaction amount	443,387,107	579,906,385	74,927,754
Utilisation Rate (%)	62.45	66.66	6.87

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended 31 December 2019 were relatively high at 62.45% and 66.66% respectively and the utilisation rate for the six months ended 30 June 2020 was 6.87%. Also, having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019, the Company has reduced the existing cap of RMB1.09 billion for the year ending on 31 December 2020 to RMB660 million for the year ending on 31 December 2021 in the New Caps. We consider that this downward adjustment is fair and reasonable.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

We are given to understand that Yangzhou Yaxing and its subsidiaries purchase the said engines, new energy powertrain and related products from the Group as components for the production of passenger vehicles. Taking into account (i) that the passenger vehicle industry was quite severely affected by the COVID-19 pandemic in the first half of 2020, but the market is expected to recover gradually in the second half of 2020, (ii) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (iii) the expected increase in the demand for the said products by Yangzhou Yaxing and its subsidiaries from the Group, on the basis of an expected increase in the production volume of passenger vehicles using new energy powertrain by Yangzhou Yaxing, and (iv) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would continue to increase steadily for the three years ending 31 December 2023.

We have discussed with the Company and understand that the main reason for the relatively low utilisation rate for the six months ended 30 June 2020 was due to the short-term negative impact of COVID-19 on the passenger vehicles market and the utilisation rate is expected to increase for the three financial years ending 31 December 2023 due to the basis of computation of New Caps set out below.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2023 will not exceed RMB660,000,000, RMB675,000,000 and RMB690,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

**Basis of computation of New Caps**

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the engines, new energy powertrain and related products by the Group to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 2.3% and 2.2% for each of the two years ending 31 December 2023, respectively.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the relevant Existing Caps for the three years ending 31 December 2020 mainly due to the lower-than-expected demand for the Group's products by Yangzhou Yaxing and its subsidiaries as a result of the then market environment and conditions



<p><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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during the relevant period, in particular, the negative impact of COVID-19 on the passenger vehicle industry in the first half of 2020. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Cap for the year ending 31 December 2021 at RMB660,000,000 with a downward adjustment as compared to the Existing Cap of RMB1,090,000,000 for the year ending 31 December 2020.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	660,000,000	675,000,000	690,000,000

Based on our discussion with the management on the basis of the estimated transaction amounts above and the Company's expectation that there will be moderate growth of approximately 2.2 - 2.3% for the two financial years ending on 31 December 2023 after the negative impact of COVID-19 on the passenger vehicles markets has passed and the sales in passenger vehicles will return to normal in the second half of 2020, and also our work done on the samples as set out above, we agree that the above proposed New Caps, which reflect a similar annual increase of approximately 2.3% and 2.2% when such amounts are compared to its respective preceding year of annual cap, are therefore in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(b), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

(b) *Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries*

Agreement: Supplemental Agreement to the Transmissions Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015 and 28 March 2018 respectively)

Date: 27 August 2020

Parties: 1. SFGC  
2. Yangzhou Yaxing

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Transmissions Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), SFGC agreed to sell transmissions to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, SFGC has agreed to sell the said transmissions to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2020, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Transmissions Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

**Price determination and internal control procedures**

According to the Letter from the Board, the price of the said products shall be determined according to the following mechanism: SFGC shall conduct price consultation and inspection in the PRC market in respect of transmissions and analyse the results. After discussion with the pricing committee, SFGC will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said pricing committee shall review the reasonableness of the sale price of the said products on a

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

regular basis and make adjustments where necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

Also, we have reviewed 2 samples selected by the Company on a random basis of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

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 and we concur that such methods and procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this subsection 3.(b):

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	61,000,000	76,000,000	95,000,000

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for this Continuing Connected Transaction set out in this sub-section 3.(b):

	<b>For the year ended 31 December 2018 RMB (audited)</b>	<b>For the year ended 31 December 2019 RMB (audited)</b>	<b>For the six months ended 30 June 2020 RMB (unaudited)</b>
Actual transaction amount	5,886,976	26,021,971	15,515,603
Utilisation Rate (%)	9.65	34.24	16.33

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended on 31 December 2019 were at 9.65% and 34.24% respectively and the utilisation rate for the six months ended 30 June 2020 was 16.33%. We have discussed with the Company regarding the main reason for the relatively low utilisation rate for the six months ended 30 June 2020, which was due to the short-term negative impact of COVID-19 on the passenger vehicles market, and the utilisation rate is expected to increase for the three financial years ending 31 December 2023 due to the basis of computation of New Caps set out below. Also, due to low utilisation rate of the Existing Caps for the two years ended 31 December 2019, the overall New Caps for the three years ending on 31 December 2023 have been significantly reduced, including the existing cap of RMB95 million for the year ending on 31 December 2020 has been reduced to RMB50 million for the year ending on 31 December 2021 in the New Caps. We consider that this downward adjustment is fair and reasonable.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2023 will not exceed RMB50,000,000, RMB60,000,000 and RMB72,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said transmissions from SFGC as one of the components for the production of passenger vehicles. Taking into account (i) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (ii) the expected increase in the demand for the said transmissions by Yangzhou Yaxing and its subsidiaries, and (iii) the sales plan of the Group for the coming three years having taken into consideration the

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

expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would increase for the three years ending 31 December 2023.

### **Basis of computation of New Caps**

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 20.0% and 20.0% for each of the two years ending 31 December 2023, respectively. We have discussed with the management and understand that such significant increase is due to two main factors, namely (i) the ability of the Group to provide full set of powertrain systems, which includes engines, transmissions and axles, instead of separate parts usually produced by third parties on the market; and (ii) the related party is expected to significantly increase its procurement from the Group in the coming years given the cost-efficiency reason as mentioned in (i) and less from third parties, hence increasing future transaction amounts with the Company.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the Existing Caps for the three years ending 31 December 2020 mainly because the lower-than-expected demand for the Group's products by Yangzhou Yaxing and its subsidiaries as a result of the then market environment and conditions during the relevant period, in particular, the negative impact of COVID-19 on the passenger vehicle industry in the first half of 2020. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Caps for the three years ending 31 December 2023 with significant downward adjustments as compared to the Existing Caps in respect of this Continuing Connected Transaction. The New Cap for the year ending 31 December 2021 is set at RMB50,000,000 while the Existing Cap for the year ending 31 December 2020 is RMB95,000,000.

<p><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	50,000,000	60,000,000	72,000,000

Based on our discussion with the management on the basis of the estimated transaction amounts and also our work done on the samples as set out above, we agree that the proposed New Caps set out above are in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(a), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

(c) *Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries*

Agreement: Supplemental Agreement to the Axles Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015 and 28 March 2018 respectively)

Date: 27 August 2020

Parties: 1. Hande Axle  
2. Yangzhou Yaxing

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Axles Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), Hande Axle agreed to sell axles to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness with a payment term of two months for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, Hande Axle has agreed to sell the said axles to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2023, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Axles Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

<p><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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**Price determination and internal control procedures**

According to the Letter from the Board, the price of the said products shall be determined according to the following mechanism: Hande Axle, through its marketing department, shall conduct an analysis of the price of the relevant products in the PRC market and submit a proposal on the sale price of the relevant products, taking into account the relevant production cost and potential profit, to its price management department for approval. Hande Axle shall then negotiate and determine the price with the other parties on the basis of such proposal, fully considering the mutual interests of both parties. The price management department shall review the reasonableness of the sale price of the said products on a regular basis and make adjustments where necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

Also, we have reviewed 2 samples selected by the Company on a random basis of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

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 and we concur that such methods and procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 3.(c):

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	72,000,000	88,000,000	110,000,000



<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(c):

	For the year ended 31 December 2018 <i>RMB</i> (audited)	For the year ended 31 December 2019 <i>RMB</i> (audited)	For the six months ended 30 June 2020 <i>RMB</i> (unaudited)
Actual transaction amount	55,043,096	59,230,086	31,593,147
Utilisation Rate (%)	76.45	67.31	28.72

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended on 31 December 2019 were high at 76.45% and 67.31% respectively and the utilisation rate for the six months ended 30 June 2020 was more or less proportional to the previous year's percentage at 28.72%.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(c) for the three years ending 31 December 2023 will not exceed RMB77,000,000, RMB90,000,000 and RMB101,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

We are given to understand from the Company that, Yangzhou Yaxing and its subsidiaries purchase the said axles from Hande Axle as components for the production of passenger vehicles. In recent years, Hande Axle mainly supplies its products to heavy-duty trucks market, passenger vehicle market and the off-highway market, and Yangzhou Yaxing and its subsidiaries are key clients of Hande Axle in respect of its development of the passenger vehicle market. Taking into account (i) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (ii) expected increase in the demand for axles by Yangzhou Yaxing and its subsidiaries, and (iii) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would increase for the three years ending 31 December 2023.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

**Basis of computation of New Caps**

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 16.9% and 12.2% for each of the two years ending 31 December 2023, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(c) for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	77,000,000	90,000,000	101,000,000

Based on our discussion with the management on the basis of the estimated transaction amounts and also our work done on the samples as set out above, we agree that the proposed New Caps set out above are in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(a), 3.(b) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction, this Supplemental Agreement and the proposed New Caps are subject to the relevant resolution being passed at the EGM.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

4. *Continuing Connected Transactions between Weichai Westport and the Group*

*Weichai Westport*

Weichai Westport is principally engaged in the business of research and development, manufacture and sale of gas engines and parts used in motor vehicles, power generation and marine vessels and relevant parts and components, modification of gas engines, business consultation and services. Weichai Westport is held as to 51% by Weichai Holdings, a substantial Shareholder of the Company. Accordingly, Weichai Westport is a connected person of the Company.

(a) *Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport*

Agreement: Supplemental Agreement to the framework agreement in relation to the supply of base engines, gas engine parts and related products by the Company (and its subsidiaries and/or associates) to Weichai Westport (the “**Weichai Westport Supply Agreement**”) dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company  
(b) Weichai Reproduction  
(c) Weichai Freshen Air  
2. Weichai Westport

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Westport Supply Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai After-sales Services, Weichai Reproduction and Weichai Freshen Air (and/ or other associates of the Company) has supplied certain base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport, at market prices and/ or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term from 1 January 2018 to 31 December 2020, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. This Continuing Connected Transaction has been conducted on normal commercial terms and terms no less favourable to the Company than those available to the Company from independent third parties.

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

Pursuant to this Supplemental Agreement, each of the Company, Weichai Reproduction and Weichai Freshen Air (and/or other associates of the Company) shall supply certain base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport, on the same terms for a term from 1 January 2021 to 31 December 2023, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Westport Supply Agreement (as supplemented by the abovementioned supplemental agreement but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

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

According to the Letter from the Board, the sale price of the said products and services is determined according to the following mechanism: through market analysis of specific products by the market management department of the Company on a quarterly basis in general, a proposal on the price, which is formulated taking into account an analysis of a number of factors (including the prices of at least one to two relevant products in the market in general, market share, orders situation and performance of major competitors in the market), shall be submitted to the price management department of the Company for approval. The final price shall be determined based on arm's length negotiations between the parties. The price management department shall review the reasonableness of the price on a regular basis and make adjustments where necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

Also, we have reviewed 2 samples selected by the Company on a random basis of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

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 and we concur that such methods and procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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The table below summarises the Existing Caps for the Continuing Connected Transaction set out in this sub-section 4.(a) for the three years ending 31 December 2020:

	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	2,600,000,000	3,000,000,000	3,500,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 4.(a):

	For the year ended 31 December 2018 <i>RMB</i> (audited)	For the year ended 31 December 2019 <i>RMB</i> (audited)	For the six months ended 30 June 2020 <i>RMB</i> (unaudited)
Actual transaction amount	322,279,891	1,147,911,086	771,880,852
Utilisation Rate (%)	12.40	38.26	22.05

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended 31 December 2019 were at 12.40% and 38.26% respectively and the utilisation rate for the six months ended 30 June 2020 was more or less proportional to the previous year's percentage at 22.05%. We have discussed with the Company regarding the main reason for the relatively low utilisation rate for the six months ended 30 June 2020 and are given to understand that, in the past, the Group mainly sold the said base engines, gas engine parts, related products and provided related services to Weichai Westport, and Weichai Westport modified and assembled them into gas engines, which were in turn sold by Weichai Westport back to the Group for onward sale to its customers. The transaction model between Weichai Westport and the Group has been adjusted: (i) the Group focuses on the purchase of relevant processing services from Weichai Westport to modify the base engines to gas engines for onward sale to the customers of the Group, and (ii) due to the relevant upgrade in emission standards for base engines, it is expected that the amount of services required to be provided by the Group to Weichai Westport will decrease gradually and the relevant transaction amount will thus decrease gradually in the future. Despite the aforesaid, it is expected that there will be a steady increase in demand for the gas engines modified and assembled by Weichai Westport as described above, and in turn, Weichai Westport will continue to have an increasing demand in the Group's gas engine parts and related products and services for its production.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

Also, due to low utilisation rate of the Existing Caps for the two years ended 31 December 2019, the overall New Caps for the three years ending on 31 December 2023 have been significantly reduced, including the existing cap of RMB 3.5 billion for the year ending on 31 December 2020 has been reduced to RMB 580 million for the year ending on 31 December 2021 in the New Caps. We consider that this downward adjustment is fair and reasonable.

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2023 shall not exceed RMB580,000,000, RMB630,000,000 and RMB680,000,000 respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

**Basis of computation of New Caps**

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts and the abovementioned adjustments in the transaction model, (ii) the estimate of the volume of base engines, gas engine parts, utility and labour services, technology development services and related products and services required by Weichai Westport, and (iii) the average unit prices of such base engines, gas engine parts and related products. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the Group's base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport on an annual basis will increase by approximately 8.6% and 7.9% for each of the two years ending 31 December 2023, respectively.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the Existing Caps for the three years ending 31 December 2020 mainly due to (i) the lower-than-expected demand for the Group's relevant products and services by Weichai Westport as a result of the then market environment and conditions during the relevant period; and (ii) the adjustments in the transaction model between Weichai Westport and the Group as described above. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Caps for the three years ending 31 December 2023 with significant downward adjustments as compared to the Existing Caps in respect of this Continuing Connected Transaction. The New Cap for the year ending 31 December 2021 is set at RMB580,000,000 while the Existing Cap for the year ending 31 December 2020 is RMB3,500,000,000.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 4.(a) for the three years ending 31 December 2023:

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	580,000,000	630,000,000	680,000,000

Based on our discussion with the management on the basis of the estimated transaction amounts which is based on the Company's expectation of moderate growth of approximately 8.6% and 7.9% for the two financial years ending on 31 December 2023 resulting from the expected demand of the gas engines markets to remain strong and the ongoing upgrade in emission standards for base engines, and also our work done on the samples as set out above, we agree that the above proposed New Caps, with an annual increase of approximately 8.6% and 7.9% when such amounts are compared to the respective preceding year of annual cap, are therefore in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1, 3.(a), 3.(b) and 3.(c) herein) exceeds the 5% Threshold, the Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period and the proposed New Caps for the relevant period are subject to the reporting and announcement, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Pursuant to the requirements of the Shenzhen Listing Rules, this Continuing Connected Transaction has also been aggregated with the PRC Continuing Connected Transactions, and such transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

- (b) *Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport*

Agreement: Supplemental Agreement to the framework agreement in relation to the purchase of gas engines, gas engine parts and related products by the Company (and its subsidiaries and/or associates) from Weichai Westport ("**Weichai Westport Purchase Agreement**") dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company  
(b) Weichai Reproduction  
2. Weichai Westport

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Westport Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai Reproduction and Weichai After-sales Services (and/or other associates of the Company) has purchased certain gas engines, gas engine parts, labour services and related products from Weichai Westport, at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis, for a term from 1 January 2018 to 31 December 2020, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. This Continuing Connected Transaction has been conducted on normal commercial terms and terms no less favourable to the Company than those available to the Company from independent third parties.

Pursuant to this Supplemental Agreement, each of the Company and Weichai Reproduction (and/or other associates of the Company) shall purchase certain gas engines, gas engine parts, labour services and related products and services from Weichai Westport, on the same terms for a term from 1 January 2021 to 31 December 2023, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Westport Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.



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

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

According to the Letter from the Board, the sale price of the said products and services is determined according to the following mechanism: the market management department of the Company shall regularly carry out market research and analysis on a quarterly basis, taking into account a number of factors (including the prices of at least one to two relevant products in the market in general, market share, orders situation and performance of major competitors in the market). The final price shall be determined based on arm's length negotiations between the parties. The price management department shall review the reasonableness of the price on a regular basis and make adjustments where necessary. We have reviewed the samples of market research conducted by the Company on the comparison of pricing by product and by business segment with other major players in the same industry and also samples of the monthly report on the impact of recent economic data and government policies on the industry outlook prepared by the Company, which demonstrated how the Company ascertained the market price and material terms during the price determination process.

Also, we have reviewed 2 samples selected by the Company of the transaction with the Company's related party to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the sample size is sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and its related parties are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better.

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 and we concur that such methods and procedures will ensure that the Company will obtain terms, including market price, which are on normal commercial terms or better.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b>
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The table below summarises the Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 4.(b):

	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	5,400,000,000	6,300,000,000	7,000,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 4.(b):

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
	<i>RMB</i> (audited)	<i>RMB</i> (audited)	<i>RMB</i> (unaudited)
Actual transaction amount	2,129,634,365	2,826,830,688	1,234,499,030
Utilisation Rate (%)	39.44	44.87	17.64

As shown above, the utilisation rates of the actual transaction amount compared to the Existing Cap for the two financial years ended 31 December 2019 were at 39.44% and 44.87% respectively and the utilisation rate for the six months ended 30 June 2020 was 17.64%. We have discussed with the Company and understand that the main reason for the relatively low utilisation rate for the six months ended 30 June 2020 was due to the short-term negative impact of COVID-19 and the utilisation rate is expected to increase for the three financial years ending 31 December 2023 due to the basis of computation of New Caps set out below.

Also, due to low utilisation rate of the Existing Caps for the two years ended 31 December 2019, the overall New Caps for the three years ending on 31 December 2023 have been significantly reduced, including the existing cap of RMB7 billion for the year ending on 31 December 2020 has been reduced to RMB5.27 billion for the year ending on 31 December 2021 in the New Caps. We consider that this downward adjustment is fair and reasonable.

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2023 shall not exceed RMB5,270,000,000, RMB6,320,000,000 and RMB7,570,000,000 respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

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

According to the sales projection of the Group's heavy-duty vehicles (with gas engines installed) and gas engines, the Company expects that the transaction amount of the said gas engines, gas engine parts and related products purchased by the Group from Weichai Westport to maintain a steady growth for the three years ending 31 December 2023, in line with an increase in the volume of these products to be sold by the Group to third party customers after purchasing the relevant services to modify and assemble the same from Weichai Westport, and the national policies of the PRC and the Group's development plans which are expected to be favourable to the market of the Group's gas engines.

### **Basis of computation of New Caps**

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, (ii) the estimate of the volume of gas engines, gas engine parts, labour services and related products and services to be purchased by the Group from Weichai Westport, and (iii) the average unit prices of such gas engines, gas engine parts and related products. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the purchase of gas engines, gas engine parts, labour services and related products and services by the Group from Weichai Westport on an annual basis will increase approximately 19.9% and 19.8% for each of the two years ending 31 December 2023, respectively.

As illustrated above, the actual transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 in respect of this Continuing Connected Transaction were lower than the Existing Caps for the three years ending 31 December 2020 mainly due to (i) the lower-than-expected demand for Weichai Westport's relevant products and services by the Group and its customers as a result of the then market environment and conditions during the relevant period; and (ii) the adjustments in the transaction model between Weichai Westport and the Group as described in the sub-section 4(a) above. Having considered the utilisation rate of the Existing Caps for the two years ended 31 December 2019 (as well as other factors described above), the Company has set the New Caps for the three years ending 31 December 2023 with downward adjustments as compared to the Existing Caps in respect of this Continuing Connected Transaction. The New Cap for the year ending 31 December 2021 is set at RMB5,270,000,000 while the Existing Cap for the year ending 31 December 2020 is RMB7,000,000,000.

<p><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE CONTINUING CONNECTED TRANSACTIONS</b></p>
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The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 4.(b) for the three years ending 31 December 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	5,270,000,000	6,320,000,000	7,570,000,000

Based on our discussion with the management on the basis of the estimated transaction amounts which is based on the Company's expectation of strong demand in gas engines market with approximately 20% growth per annum resulting from more stringent policies and control on emission standards, and also our work done on the samples as set out above, we agree that the above proposed New Caps, with an annual increase of approximately 19.9% and 19.8% when such amounts are compared to the respective preceding year of annual cap, are therefore in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-section 2) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are 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 for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Pursuant to the requirements of the Shenzhen Listing Rules, this Continuing Connected Transaction has also been aggregated with the PRC Continuing Connected Transactions, and such transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

**E. Reasons for and benefits of the Continuing Connected Transactions**

According to the Letter from the Board, the reasons for the Company to enter into the Supplemental Agreements are as follows:

*Continuing Connected Transactions between Weichai Holding (and its associates) and/or Weichai Heavy Machinery (and its subsidiaries) and the Group*

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines. Prior to the incorporation of the Company and the listing of the Shares on the Stock Exchange, the Company has had business relationships with certain entities. Under the Listing Rules, such entities have become connected persons of the Company since the listing of the Company and the transactions between the Company and such entities constitute continuing connected transactions of the Company. In respect of the Continuing Connected Transactions between the Company and Weichai Holdings, since their production facilities are located in close proximity to each other and in view of the PRC government's policy not to duplicate construction of production and other facilities, certain Continuing Connected Transactions have been continuing since the listing of the Company on the Stock Exchange. After the completion of the Weichai Holdings Juli Restructuring in 2007, certain of these Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

According to the Letter from the Board, as the Company has conducted these Continuing Connected Transactions with the relevant entities for many years and the Company has built up a long term strategic and solid business relationship with these entities, the Directors consider it beneficial to the Company to continue to conduct these Continuing Connected Transactions in order to ensure and maximize operating efficiency and stability of the operations of the Company. The Directors are not aware of any disadvantage to the Group in continuing to conduct the Continuing Connected Transactions.

*Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group*

As at the date of the Circular, Weichai Holdings is a substantial shareholder and a connected person of the Company. Since Yangzhou Yaxing is a subsidiary of Weichai Holdings, Yangzhou Yaxing and its subsidiaries are associates of Weichai Holdings and connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of the Supplemental Agreements between the Group and Yangzhou Yaxing and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

The Group is engaged in, *inter alia*, the manufacture and sale of diesel engines, transmissions, axles and related products. Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing and its subsidiaries purchase engines, new energy powertrain and related products, transmissions and axles from the Group as components for the production of passenger vehicles. According to the Letter from the Board, the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries are expected to increase according to its sales plan, and the demand for engines, new energy powertrain and related products, transmissions and axles and the proportion of vehicles of Yangzhou Yaxing utilising the Group's products are also expected to increase. The Directors consider that such Continuing Connected Transactions will create synergy potential and strategic benefits between Yangzhou Yaxing and the Group, and will also provide a secured source of revenue for the Group.

***Continuing Connected Transactions between Weichai Westport (and its subsidiaries) and the Group***

In respect of the Continuing Connected Transactions between the Group and Weichai Westport, the Board is of the view that (i) the sale of base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport; and (ii) the purchase of gas engines, gas engine parts and related products manufactured by Weichai Westport by modifying and utilising the base engines, gas engine parts, labour services and related products and services it purchased from the Group, and the onward sale of the gas engines, gas engine parts and related products by the Group to its customers will allow the Group to maintain a strong strategic and business relationship with Weichai Westport, thereby generating synergy potential and mutual economic benefits between the Group and Weichai Westport. The Board considers that such Continuing Connected Transactions under the relevant Supplemental Agreements will also provide a secure source of revenue for the Group, and the Group will also be able to secure a stable and reliable supply of quality gas engines from Weichai Westport instead of sourcing from other market suppliers.

The Directors have confirmed that all the Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties, and that the pricing policy of each of the Continuing Connected Transactions are consistent with those applied to independent third party customers/suppliers.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE CONTINUING CONNECTED TRANSACTIONS**

The Directors are of the view that all the Continuing Connected Transactions, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, based on the above reasons and benefits for the Continuing Connected Transactions, we consider that the Supplemental Agreements are on normal commercial terms or better and are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. We also consider the potential for the Company to maximize operating efficiency, obtain a secure source of revenue and potential synergistic benefits to be beneficial to the Company and the Independent Shareholders as a whole.

**F. Internal Control Procedures**

The internal control procedures for the respective Supplemental Agreements have been set out in Section D above, and we have reviewed the Company's internal control procedures manual of the relevant pricing policies which is subject to approval procedures by different departments of the Company and also samples of pricing contract as authorized by the respective departments.

We consider that such methods and procedures, including and not limited to the collection of market information, conducting price consultations and inspection in the PRC market, negotiations taking into account of the market price and relevant product cost and regular review by the price management department or pricing committee, will enable the Company to ensure that the terms and conditions of the Non-exempt Continuing Connected Transactions are on normal commercial terms or better.

**RECOMMENDATION**

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the Non-exempt Continuing Connected Transactions and the relevant New Caps are on normal commercial terms or better and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and the said terms are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the terms of the Non-exempt Continuing Connected Transactions and the relevant 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 (Note 1)	–	0.74%
Zhang Quan	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Xu Xinyu	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Sun Shaojun	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Yuan Hongming	Beneficial owner	1,000,440	–	0.013%
	Interest held by spouse	444	–	0.000006%
		<u>1,000,884</u>	–	<u>0.013%</u>
Yan Jianbo	Beneficial owner	1,097,904	–	0.014%
Wen Daocai	Beneficial owner	21,940	–	0.0003%



Name of Supervisor	Capacity	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	600,000	–	0.0076%
Wu Hongwei	Beneficial owner	4,789,516	–	0.06%

*Notes:*

- These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became “A” shares of the Company upon the “A” share listing of the Company on the Shenzhen Stock Exchange.
- All the shareholding interests listed in the above table are “long” position.
- The percentage shareholding is calculated on the basis of 7,933,873,895 issued shares of the Company as at the Latest Practicable Date (comprising 5,990,833,895 A Shares and 1,943,040,000 H Shares) in the shares of associated corporations of the Company

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

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske (Note)	KION Group AG (“KION”)	Beneficial owner	144,060 ordinary shares	0.12%
		Interest held by spouse	93,940 ordinary shares	0.08%
			238,000 ordinary shares	0.20%

*Note:* Gordon Riske, a non-executive Director, was the beneficial owner of 144,060 ordinary shares in KION and he was also deemed to be interested in 93,940 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was 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	Number of H Shares	Percentage of share capital	Percentage of total issued share capital
				comprising only A Shares		comprising only H Shares	
Weichai Group Holdings Limited	Beneficial owner	Long	1,406,100,000	23.47%	-	-	17.72%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,406,100,000	23.47%	-	-	17.72%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	-	-	78,578,612	16.18%	3.96%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	-	-	23,707,500	5.86%	1.43%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	-	-	525,552	0.11%	0.03%
	Interest of corporation controlled by you	Long	-	-	25,453,050	5.24%	1.28%
					25,978,602	5.35%	1.31%
	Interest of corporation controlled by you	Short	-	-	24,102,475	4.96%	1.22%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	-	-	49,335,508	5.08%	1.24%

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 H Shares	Number of A Shares	Number of H Shares	
	Interest of corporation controlled by you	Short	-	-	42,078,545	4.33%	1.06%
Lazard Asset Management LLC	Investment manager	Long	-	-	328,810,940	16.92%	4.14%
Citigroup Inc.	Interest of corporation controlled by you	Long	-	-	2,944,165	0.15%	0.04%
	Person having a security interest in shares	Long	-	-	536,000	0.03%	0.01%
	Approved lending agent	Long	-	-	<u>136,056,362</u>	<u>7.00%</u>	<u>1.71%</u>
					<u>139,536,527</u>	<u>7.18%</u>	<u>1.76%</u>
	Interest of corporation controlled by you	Short	-	-	2,950,999	0.15%	0.04%
Brown Brothers Harriman & Co.	Agent	Long	-	-	116,949,106	6.02%	1.47%
JPMorgan Chase & Co.	Interest of corporation controlled by you	Long	-	-	23,911,475	1.23%	0.30%
	Investment manager	Long	-	-	10,701,722	0.55%	0.14%
	Person having a security interest in shares	Long	-	-	825,182	0.04%	0.01%
	Trustee	Long	-	-	136,288	0.01%	0.00%
	Approved lending agent	Long	-	-	<u>64,323,836</u>	<u>3.31%</u>	<u>0.81%</u>
					<u>99,898,503</u>	<u>5.14%</u>	<u>1.26%</u>
	Interest of corporation controlled by you	Short	-	-	12,094,257	0.62%	0.15%
Schroders Plc	Investment manager	Long	-	-	97,964,000	5.04%	1.23%

*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 Holding 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	Director	–
Sun Shaojun	Director	–

### 3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) None of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2019, 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 2019, 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 2019, 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 out regulated activity type 6 (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 23 October 2020 and was made by the Independent Financial Adviser for incorporation in this circular.

## 6. GENERAL

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

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Rooms 3407–3408, 34th Floor, Gloucester Tower, Landmark, 15 Queen’s Road Central, Hong Kong, from 23 October 2020 to 6 November 2020 (both days inclusive):

- (a) the letter from the Independent Financial Adviser as set out in this circular;
- (b) the written consent from the Independent Financial Adviser referred to in paragraph 5 of this appendix;
- (c) the letter from the Independent Board Committee as set out in this circular; and
- (d) the Supplemental Agreements and the PRC Supplemental Agreements.

## NOTICE OF EGM



潍柴動力股份有限公司

**WEICHA 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 WEICHA 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 13 November 2020 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 23 October 2020, of which this notice forms part (the “Circular”) shall have the same meaning when used herein.

#### ORDINARY RESOLUTIONS

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

1. “**THAT** the Supplemental Agreement to the Weichai Sale and Processing Services Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 1. Continuing Connected Transactions between Weichai Holdings (and its associates) and the Group – Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note 1)*
2. “**THAT** the supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries) (including the relevant supplemental agreement and new caps) as referred to in the section headed “II. The Continuing Connected Transactions – 1. Continuing Connected Transactions between Weichai Holdings (and its associates) and the Group – (a) Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)” in the announcement of the Company dated 27 August 2020 be and is hereby approved.” *(Note 1)*

## NOTICE OF EGM

3. “**THAT** the Supplemental Agreement to the Weichai Heavy Machinery Purchase and Processing Services Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 2. Continuing Connected Transactions between Weichai Heavy Machinery (and its subsidiaries) and the Group – Purchase of diesel engine parts and components, materials, steel and scrap metal etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*
4. “**THAT** the Supplemental Agreement to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 3. Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group – (a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*
5. “**THAT** the Supplemental Agreement to the Transmissions Supply Framework Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 3. Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group – (b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*
6. “**THAT** the Supplemental Agreement to the Axles Supply Framework Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 3. Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group – (c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*
7. “**THAT** the Supplemental Agreement to the Weichai Westport Supply Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 4. Continuing Connected Transactions between Weichai Westport and the Group – (a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*



## NOTICE OF EGM

8. “**THAT** the Supplemental Agreement to the Weichai Westport Purchase Agreement dated 27 August 2020 referred to in the section headed “II. The Continuing Connected Transactions – 4. Continuing Connected Transactions between Weichai Westport and the Group – (b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*
9. “**THAT** the provision of logistics and storage services by Weichai Logistics (and its associates) to Weichai Westport (including the relevant supplemental agreement and new caps) as referred to in the section headed “IV. PRC Continuing Connected Transactions” in the announcement of the Company dated 27 August 2020 be and is hereby approved.” *(Note I)*
10. “**THAT** the leasing of factory buildings by the Company to Weichai Westport (including the relevant supplemental agreement and new caps) as referred to in the section headed “IV. PRC Continuing Connected” in the announcement of the Company dated 27 August 2020 be and is hereby approved.” *(Note I)*
11. “**THAT** the grant of the guarantee(s) (the “**Guarantee(s)**”) by the Company in respect of certain loans of Weichai Power Hong Kong International Development Co., Limited (a wholly-owned subsidiary of the Company) from financial institution(s) in the principal amount of not exceeding EUR408 million or equivalent amount in other currencies, and the management and their respective authorised persons be and are hereby authorised to conduct the relevant negotiations with the relevant financial institution(s) and finalise the terms of the Guarantee(s), and execute all such documents and carry out registration or filing with the relevant government authorities in connection thereto.”

### SPECIAL RESOLUTION

12. To consider and, if thought fit, approve the amendments to the Articles of Association as set out in the section headed “V. Proposed amendments to the Articles of Association” in the “Letter from the Board” contained in the Circular as a special resolution. *(Note J)*

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

Hong Kong, 23 October 2020

## NOTICE OF EGM

*Notes:*

- (A) The Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited (“**H Shares**”) from 10 November 2020 to 13 November 2020 (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 13 November 2020 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 9 November 2020. 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.
- (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) Each holder of A shares (being ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are traded in Renminbi and listed on the Shenzhen Stock Exchange (“**A Shares**”) who is entitled to attend and vote at the EGM may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company. Notes (B) and (C) above also apply to the holders of A Shares of the Company, except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorisation (if any) must be delivered to the Secretary to the board of Directors of the Company not less than 24 hours before the time appointed for the EGM. The address of the Secretary to the board of Directors of the Company is as follow:

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

## NOTICE OF EGM

- (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) (i) Weichai Holdings and its associates, (ii) Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu and Mr. Sun Shaojun, executive Directors of the Company, and (iii) Mr. Wu Hongwei and Mr. Lu Wenwu, supervisors of the Company, will abstain from voting at the EGM in respect of this resolution.
- (J) Since the Company is a PRC incorporated company and the official Articles of Association of the Company are in the Chinese language, the proposed amendments in the English version of the Circular are an unofficial English language translation (the "**English Translation**") of the official proposed amendments in the Chinese language (the "**Official Amendments**"), which are set out in the Chinese language version of the Circular. Accordingly, in the event of any inconsistency between the English Translation and the Official Amendments, the Official Amendments shall prevail.

*As at the date of this notice, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang.*