

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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,  
AND  
(3) 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 9 to 44 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders on the Non-exempt Continuing Connected Transactions is set out on page 45 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Non-exempt Continuing Connected Transaction is set out on pages 46 to 80 of this circular.

A notice convening the EGM to be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 22 November 2024 at 2:50 p.m. is set out on pages 88 to 90 of this circular. Whether or not you intend to be present at the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the H-share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish. For holders of A Shares, please refer to the notice of the EGM published on the website of the Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.

31 October 2024

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## DEFINITIONS

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“1% Threshold”	the threshold referred to in Rule 14A.76(1)(b) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2) of the Listing Rules
“Associate(s)”	has the meaning ascribed to an “associate” under Rule 14A.06(2) of the Listing Rules, and further includes any company that constitutes a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules due to such associate’s shareholding therein
“CCT Announcement”	has the meaning ascribed thereto under the section headed “VI. PRC Continuing Connected Transactions” in the letter from the Board contained in this circular
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organised under the laws of the PRC with limited liability and a connected person of the Company
“CNHTC Group”	CNHTC and its Associates
“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 sections III. and IV. in the letter from the Board contained in this circular, comprising the Non-exempt Continuing Connected Transactions
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 22 November 2024, the notice of which is contained in this circular

## DEFINITIONS

“Exempt Continuing Connected Transaction(s)”	being those continuing connected transaction(s) exempt from circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules, or the proposed New Caps for which do not exceed the 5% Threshold and, accordingly, are not subject to the approval by the Independent Shareholders under the Listing Rules, and, where such New Caps exceed the 0.1% Threshold, are only subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules
“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transactions set out in the sections III. and IV. in the letter from the Board contained in this circular
“Existing CNHTC Purchase Agreement”	the purchase agreement between the Company and CNHTC dated 30 March 2022, details of which are disclosed in section II.(a). of the announcement of the Company dated 30 March 2022
“Existing CNHTC Supply Agreement”	the supply agreement between the Company and CNHTC dated 30 March 2022, details of which are disclosed in section II.(b). of the announcement of the Company dated 30 March 2022
“Existing Fast Transmission Purchase Agreement”	the parts and components purchase agreement between SFGC and Fast Transmission dated 1 August 2007 (as amended and supplemented on 27 November 2008, 9 November 2009, 23 August 2010, 30 August 2012, 27 August 2015, 13 July 2018 and 30 August 2021), details of which are disclosed in section II.B.(b). of the announcement of the Company dated 30 August 2021
“Existing Fast Transmission Sale Agreement”	the parts and components sale agreement between SFGC and Fast Transmission dated 1 August 2007 (as amended and supplemented on 27 November 2008, 9 November 2009, 23 August 2010, 30 August 2012, 27 August 2015, 13 July 2018 and 30 August 2021), details of which are disclosed in section II.B.(a). of the announcement of the Company dated 30 August 2021

## DEFINITIONS

“Existing Framework Agreements”	the Existing Weichai Heavy Machinery Sale and Supply Agreements, Existing Weichai Heavy Machinery Purchase Agreement, Existing CNHTC Supply Agreement and Existing CNHTC Purchase Agreement
“Existing Weichai Heavy Machinery Purchase Agreement”	the purchase and services agreement between the Company and Weichai Heavy Machinery dated 27 January 2022, details of which are disclosed in the announcement of the Company dated 27 January 2022
“Existing Weichai Heavy Machinery Sale Agreement”	the framework agreement between the Company and Weichai Holdings dated 17 November 2003 (as supplemented by the supplemental agreements dated 5 September 2004, 12 November 2006, 9 June 2007, 27 November 2008, 13 August 2009, 23 August 2010, 30 August 2012, 29 August 2013, 27 August 2015, 13 July 2018 and 30 August 2021), details of which are disclosed in section II.A.(a) of the announcement of the Company dated 30 August 2021
“Existing Weichai Heavy Machinery Sale and Supply Agreements”	the Existing Weichai Heavy Machinery Sale Agreement and Existing Weichai Heavy Machinery Supply Agreement
“Existing Weichai Heavy Machinery Supply Agreement”	the semi-finished diesel engine parts supply agreement dated 17 November 2003 between the Company and Weichai Holdings (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006, 9 June 2007, 9 November 2009, 29 August 2011, 29 August 2013, 27 August 2015, 13 July 2018 and 30 August 2021), details of which are disclosed in section II.A.(b) of the announcement of the Company dated 30 August 2021
“Fast Transmission”	陝西法士特汽車傳動集團有限責任公司 (Shaanxi Fast Gear Automotive Transmission Co. Ltd.), a company established in the PRC and a connected person of the Company
“Fast Transmission Group”	Fast Transmission and its associates
“Fast Transmission Continuing Connected Transaction(s)”	the continuing connected transaction(s) under section VI. in the letter from the Board contained in this circular

## DEFINITIONS

“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Ms. Jiang Yan, Mr. Chi Deqiang, Mr. Zhao Fuquan, Mr. Xu Bing and Mr. Tao Huaan, 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 under the Listing Rules to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transactions
“Latest Practicable Date”	25 October 2024, 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
“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 (including SFGC), together with other the assets and liabilities of TAGC, were absorbed by the Company
“New Cap(s)”	the new annual cap(s) to the Continuing Connected Transactions as set out in the sections headed “II. Summary of the Continuing Connected Transactions – 1. Revision of annual caps and extension of existing Continuing Connected Transactions” and “II. Summary of the Continuing Connected Transactions – 2. Renewal of existing Continuing Connected Transactions” in the letter from the Board contained in this circular
“New CNHTC Purchase Agreement”	the purchase agreement entered into between the Company and CNHTC on 22 August 2024 as more particularly set out in section IV.2. in the letter from the Board contained in this circular

## DEFINITIONS

“New Fast Transmission Purchase Agreement”	the parts and components purchase agreement entered into between the Company and Fast Transmission on 22 August 2024 as more particularly set out in section VI.(b) in the letter from the Board contained in this circular
“New Fast Transmission Sale Agreement”	the parts and components sale agreement entered into between the Company and Fast Transmission on 22 August 2024 as more particularly set out in section VI.(a) in the letter from the Board contained in this circular
“New Framework Agreements”	the new framework agreements relating to the Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “IV. Renewal of existing Continuing Connected Transactions” in the letter from the Board contained in this circular and “New Framework Agreement” means any of them
“New Weichai Heavy Machinery Purchase Agreement”	the purchase agreement entered into between the Company and Weichai Heavy Machinery on 22 August 2024 as more particularly set out in section IV.1.(b) in the letter from the Board contained in this circular
“New Weichai Heavy Machinery Supply Agreement”	the supply agreement entered into between the Company and Weichai Heavy Machinery on 22 August 2024 as more particularly set out in section IV.1.(a) 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

## DEFINITIONS

“PRC Continuing Connected Transaction(s)”	the transaction(s) set out under the section headed “VI. PRC Continuing Connected Transactions” in the letter from the Board contained in this circular, which constitute continuing connected transactions of the Company under the relevant laws and regulations of the PRC and the Shenzhen Listing Rules and are subject to the approval by the independent Shareholders at the EGM
“PRC New Framework Agreements”	the New Fast Transmission Sale Agreement and the New Fast Transmission Purchase Agreement, and “PRC New Framework Agreement” means any of them
“Revised Cap(s)”	the revised annual cap(s) for the Continuing Connected Transactions set out in the section headed “II. Summary of the Continuing Connected Transactions – 1. Revision of annual caps and extension of existing Continuing Connected Transactions” in the letter from the Board contained in this circular
“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)
“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



## DEFINITIONS

“Supplemental Agreements”	the supplemental agreements to the Existing CNHTC Supply Agreement and the Weichai Westport Purchase Agreement, respectively, details of which are set out in section III. in the letter from the Board contained in this circular, and a “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
“Weichai Continuing Connected Transaction(s)”	the Continuing Connected Transaction(s) under sections III. and IV. in the letter from the Board contained in this circular
“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 Group”	Weichai Heavy Machinery and its subsidiaries
“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
“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 Purchase Agreement”	the product and services purchase agreement entered into between the Company and Weichai Holdings on 30 August 2022, details of which are disclosed in section II.A. of the announcement of the Company dated 30 August 2022
“Weichai Combustion”	濰柴(濰坊)燃氣動力有限公司 (Weichai (Weifang) Combustion Power Co., Ltd.*) (formerly known as “濰柴西港新能源動力有限公司” (Weichai Westport Inc.) or “濰柴動力西港新能源發動機有限公司”), a company established in the PRC and a connected person of the Company

## DEFINITIONS

“Weichai Westport Purchase Agreement”

the framework agreement in relation to the purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Combustion dated 30 August 2023, details of which are disclosed in section II.3.(b) of the announcement of the Company dated 30 August 2023

“%”

per cent

\* *For identification purposes only*

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

LETTER FROM THE BOARD



潍柴動力股份有限公司  
WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

*Executive Directors:*

Ma Changhai (Chairman)  
Zhang Quan (Vice Chairman)  
Wang Decheng (Chief Executive Officer)  
Sun Shaojun  
Yuan Hongming  
Ma Xuyao

*Non-executive Directors:*

Zhang Liangfu  
Richard Robinson Smith  
Michael Martin Macht

*Independent Non-executive Directors:*

Jiang Yan  
Chi Deqiang  
Zhao Fuquan  
Xu Bing  
Tao Huaan

*Supervisors:*

Wang Yanlei  
Wang Xuewen  
Zhao Yongchang

*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:*  
Unit 2102-03 China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

31 October 2024

To: Holders of H Shares  
Holders of A Shares

Dear Sir or Madam,

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

## LETTER FROM THE BOARD

### I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 August 2024 in relation to inter alia, (i) the entering into of the Supplemental Agreements and the New Framework Agreements in respect of the Continuing Connected Transactions (being Non-exempt Continuing Connected Transactions); and (ii) the PRC Continuing Connected Transactions.

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

### II. SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS

#### Summary of the Continuing Connected Transactions and the proposed Revised Caps/New Caps

##### 1. *Revision of annual caps and extension of existing Continuing Connected Transactions*

The Continuing Connected Transactions supplemented to revise the relevant Existing Caps and extend the existing transactions (as appropriate) 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) CNHTC (and its Associates)	The Company (for itself and on behalf of its subsidiaries)	Shandong Heavy Industry is the holder of 65% of the equity interest of CNHTC	Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and provision of relevant services by the Company (and its subsidiaries) to CNHTC (and its Associates)
(2) Weichai Combustion	The Company (for itself and on behalf of its subsidiaries)	Weichai Combustion is held as to 74.33% by Weichai Holdings	Purchase of gas engines, gas engine parts and related products and receipt of labour and related services by the Company (and its subsidiaries) from Weichai Combustion

## LETTER FROM THE BOARD

A summary of the proposed Revised Caps and New Caps (as appropriate) for each of the Continuing Connected Transactions is set out below:

Connected person and details of the relevant Continuing Connected Transactions	Proposed Revised Caps and New Caps		
	For the year ending 31	For the year ending 31	For the year ending 31
	December	December	December
	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>

**(1) CNHTC (and its Associates)**

Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and provision of relevant services by the Company (and its subsidiaries) to CNHTC (and its Associates)	23,101,000,000	26,046,000,000	28,916,000,000
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**(2) Weichai Combustion**

Purchase of gas engines, gas engine parts and related products and receipt of labour and related services by the Company (and its subsidiaries) from Weichai Combustion	6,238,000,000	6,860,000,000	7,535,000,000
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**2. *Renewal of existing Continuing Connected Transactions***

The Continuing Connected Transactions to be renewed 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 Heavy Machinery (and its subsidiaries)	The Company (for itself and on behalf of its subsidiaries)	Weichai Heavy Machinery is held as to approximately 30.59% by Weichai Holdings	(a) Sale of diesel engines and related products and raw materials, and provision of labour and technical related services, etc. by the Company (and its subsidiaries) to Weichai Heavy Machinery (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
			(b) Purchase of diesel engines and related products and raw materials, and receipt of labour and technical related services, etc. by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)
(2) CNHTC (and its Associates)	The Company (for itself and on behalf of its subsidiaries)	Shandong Heavy Industry is the holder of 65% of the equity interest of CNHTC	Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and receipt of relevant services, etc. by the Company (and its subsidiaries) from CNHTC (and its Associates)

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	Proposed New Caps		
	For the year ending 31 December 2025 <i>RMB</i>	For the year ending 31 December 2026 <i>RMB</i>	For the year ending 31 December 2027 <i>RMB</i>
(1) Weichai Heavy Machinery (and its subsidiaries)			
(a) Sale of diesel engines and related products and raw materials, and provision of labour and technical related services, etc. by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)	1,500,000,000	1,560,000,000	1,620,000,000

## LETTER FROM THE BOARD

Connected person and details of the relevant Continuing Connected Transactions	Proposed New Caps		
	For the year ending 31 December 2025 <i>RMB</i>	For the year ending 31 December 2026 <i>RMB</i>	For the year ending 31 December 2027 <i>RMB</i>
(b) Purchase of diesel engines and related products and raw materials, and receipt of labour and technical related services, etc. by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)	1,340,000,000	1,510,000,000	1,730,000,000

**(2) CNHTC (and its Associates)**

Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and receipt of relevant services, etc. by the Company (and its subsidiaries) from CNHTC (and its Associates)	845,000,000	894,000,000	952,000,000
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*Note:*

For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions under paragraphs 1.(1) and 2.(1)(a) have been aggregated and the transactions under paragraphs 1.(2), 2.(1)(b) and 2.(2) have been aggregated with the transaction between the Group and Weichai Holdings (and its associates) as contemplated under the Weichai Holdings Purchase Agreement. The Weichai Holdings Purchase Agreement is for a term of three years from 1 January 2023 to 31 December 2025 and governs the purchase of vehicles, parts and components of vehicles and related products, excavators, loaders, raw materials including gas and scrap metals etc., diesel engines and related products, and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates), the details of which are disclosed in section II.A. of the announcement of the Company dated 30 August 2022. The existing annual caps for the transactions contemplated under the Weichai Holdings Purchase Agreement are as follows:

	2023 <i>RMB</i>	2024 <i>RMB</i>	2025 <i>RMB</i>
Existing annual caps for the transactions under Weichai Holdings Purchase Agreement	2,180,000,000	3,140,000,000	4,110,000,000

## LETTER FROM THE BOARD

### III. REVISION OF ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

#### *DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS*

##### **The Company**

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

#### **1. *Continuing Connected Transactions between CNHTC (and its Associates) and the Group***

##### *CNHTC*

CNHTC is a commercial vehicles manufacturer. It is a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government\* (山東省人民政府).

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.30% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. As Shandong Heavy Industry is a holder of 65% of the equity interest in CNHTC, CNHTC is a subsidiary of Shandong Heavy Industry and, accordingly, a connected person of the Company.

*Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and provision of relevant services by the Company (and its subsidiaries) to CNHTC (and its Associates)*

Agreement:	Supplemental Agreement to the Existing CNHTC Supply Agreement
Date:	22 August 2024
Parties:	1. The Company 2. CNHTC
Term:	1 January 2024 to 31 December 2026



## LETTER FROM THE BOARD

Due to operational needs of the Group, the Company expects that the Existing Cap for the year ending 31 December 2024 under the Existing CNHTC Supply Agreement will be insufficient, and the Group intends to continue to conduct the relevant transactions with CNHTC (and its Associates) following the expiry of the Existing CNHTC Supply Agreement. The Company therefore entered into Supplemental Agreement to the Existing CNHTC Supply Agreement to revise the Existing Cap for the year ending 31 December 2024 and obtain New Caps for the two years ending 31 December 2026.

Save for the said revision of the Existing Caps for the year ending 31 December 2024 to the Revised Cap and the setting of the New Caps for the two years ending 31 December 2026, all other material terms of the Existing CNHTC Supply Agreement remain unchanged.

Pursuant to the Existing CNHTC Supply Agreement (as supplemented by the Supplemental Agreement), the Company and/or other Group Company (as the case may be) shall sell vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services, etc. (as the case may be) to the CNHTC Group at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2026, 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. The relevant products are expected to mainly comprise engines, engine parts and components, oil products, axles, transmissions, fuel cells and aftertreatment system products, whereas the relevant services are expected to mainly comprise research and development and consultation services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services supplied to independent third party customers: the marketing department of the Company regularly conducts market research and analysis regarding relevant products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those offered to independent third parties.

## LETTER FROM THE BOARD

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 on terms no less favourable to the Group than those available to independent third parties, and thus 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 2024 for the Continuing Connected Transaction set out in this sub-section 1.:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	16,127,000,000	17,889,000,000	19,758,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) in respect of the Group's sale of relevant products and services to the CNHTC Group:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>RMB</i> <i>(audited)</i>	<i>RMB</i> <i>(audited)</i>	<i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	3,970,718,032	14,180,621,543	9,998,459,831
Utilisation rate (%)	24.6	79.3	50.6

As at the Latest Practicable Date, the actual transaction amount for the transactions under the Existing CNHTC Supply Agreement has not exceeded its Existing Cap for the year ending 31 December 2024.

The sales volume of heavy duty trucks by CNHTC has continued to rank first within the industry, and the sales volume of heavy duty trucks had shown substantive increase in the first half of 2024 as compared to that in the corresponding period in 2023. Since 2023, the domestic price for natural gas remained low, and this has prompted the market's high demand in gas engines, being an area deeply cultivated by the Group for many years. With the Group's competitive edge in such products, coupled with the strengthening synergy effect of the CNHTC's development strategies, it is expected that there will be a further increase in the sales volume of gas engines and diesel engines by the Group to the CNHTC Group in 2024. In light of the above, given that the Existing Cap for the year ending 31 December 2024 had already been utilised as to approximately 50.6% by the end of June 2024, the Company estimates that the Existing Cap for this Continuing Connected Transaction will be insufficient in view of the expected increase in sales volume of the relevant products. Accordingly, based on the Group's

## LETTER FROM THE BOARD

adjusted sales plan prepared based on the latest market development and on the assumption that the abovementioned trend of growth would continue throughout 2024, it is considered that the annual cap for the year ending 31 December 2024 be adjusted upwards by approximately 16.9% to the Revised Cap of RMB23,101 million from the Existing Cap of RMB19,758 million for the year ending 31 December 2024. In addition, the Company estimates that the transaction amount in respect of the Continuing Connected Transaction set out in this sub-section 1. for the two years ending 31 December 2026 will not exceed RMB26,046 million and RMB28,916 million, respectively, and such amounts have accordingly been set as the proposed New Caps for the two years ending 31 December 2026 for this Continuing Connected Transaction.

The above proposed Revised Cap for the year ending 31 December 2024 and the proposed New Caps for the two years ending 31 December 2026 have been estimated by the Company primarily based on (i) the relevant historical transaction amounts, (ii) the estimate increase in the number of products required by the CNHTC Group in view of the implementation of the Group's sales plan for the three years ending 2026, 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, (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the sale of relevant products and services by the Group to the CNHTC Group for the manufacturing of vehicles by the CNHTC Group. Given the track record of the Group being able to constantly supply products and services of reliable quality to the CNHTC Group, a closer cooperation between the Group and the CNHTC Group has been developed since the beginning of year 2021, further boosting the CNHTC Group's demand for the Group's products and services; (iv) the fact that since 2023, the domestic price for natural gas remained low, and the obvious difference between the price of natural gas and the price of petroleum has prompted the a high demand in gas engines, resulting in a thriving market for heavy duty truck gas engines; and (v) a buffer in preparation of possible market fluctuations.

Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of products and services by the Group to the CNHTC Group will increase by approximately 16.9% for the year ending 31 December 2024 as compared with the Existing Cap for the same year, and further by approximately 12.7% and 11.0% for each of the years ending 31 December 2025 and 31 December 2026, respectively.

The table below sets out the proposed Revised Cap and New Caps for the Continuing Connected Transaction set out in this sub-section 1. for the three years ending 31 December 2026:

	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed Revised Cap and New Cap	23,101,000,000	26,046,000,000	28,916,000,000

## LETTER FROM THE BOARD

As the highest percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in sub-section 1. of this circular (when aggregated with the proposed New Caps for the same period under section IV.1.(a) herein) exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the Existing CNHTC Supply Agreement as supplemented by the Supplemental Agreement and the relevant proposed Revised Cap and New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

### 2. *Continuing Connected Transactions between Weichai Combustion and the Group*

#### *Weichai Combustion*

Weichai Combustion (formerly known as 濰柴西港新能源動力有限公司 (Weichai Westport Inc.)) 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 Combustion is held as to 74.33% by Weichai Holdings, a substantial Shareholder of the Company and hence, it is also ultimately governed and controlled by the Shandong Provincial People's Government\* (山東省人民政府). Accordingly, Weichai Combustion is a connected person of the Company.

*Purchase of gas engines, gas engine parts and related products and receipt of labour and related services by the Company (and its subsidiaries) from Weichai Combustion*

Agreement:	Supplemental Agreement to the Weichai Westport Purchase Agreement
Date:	22 August 2024
Parties:	1. The Company 2. Weichai Combustion
Term:	1 January 2024 to 31 December 2026

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Due to operational needs of the Group, the Company expects that the Existing Caps for the three years ending 31 December 2026 under the Weichai Westport Purchase Agreement will be insufficient. The Company therefore entered into the Supplemental Agreement to the Weichai Westport Purchase Agreement, to revise the Existing Caps to the Revised Caps for the three years ending 31 December 2026.

Save for the said revision of Existing Caps to the Revised Caps, all other material terms of the Weichai Westport Purchase Agreement remain unchanged.

Pursuant to the Weichai Westport Purchase Agreement (as supplemented by the relevant Supplemental Agreement), the Company and its subsidiaries shall purchase certain gas engines, gas engine parts and related products and receive labour and related services from Weichai Combustion, at market prices and/or prices agreed according to the principle of fairness and reasonableness, for a term of three years ending 31 December 2026. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products and/or services shall, as the case maybe, be settled on a monthly or quarterly basis or in accordance with the progress of the provision of the relevant products and/or services. Upon the expiry of the term of the agreement, the parties may extend the term for three years on a mutually agreed basis.

The price of the said products and services is determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company shall regularly carry out market research and analysis, 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. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would review the reasonableness of the price on a regular basis and make adjustments where necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

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 on terms no less favourable to the Group than those available from independent third parties, and thus not prejudicial to the interests of the Company and the minority Shareholders.

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The table below summarises the Existing Caps for the three years ending 31 December 2026 for the Continuing Connected Transaction set out in this sub-section 2.:

	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	4,644,000,000	4,656,000,000	4,704,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2.:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024
	<i>RMB</i> <i>(audited)</i>	<i>RMB</i> <i>(audited)</i>	<i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	810,590,661	4,704,195,346	2,706,705,895
Utilisation rate (%)	12.8	62.1	58.3

As at the Latest Practicable Date, the actual transaction amount for the transactions under the Weichai Westport Purchase Agreement has not exceeded its Existing Cap for the year ending 31 December 2024.

Since 2023, the domestic price for natural gas remained low, and the obvious difference between the price of natural gas and the price of petroleum has prompted the a high demand in gas engines, resulting in a thriving market for heavy duty truck gas engines. The gas engine market has been an area deeply cultivated by the Group for many years, and with the Group's competitive edge in such products, it is expected that such trend on the increase in the sales volume of gas engines by the Group will continue in 2024. Accordingly, it is expected that there will be a further demand for gas engine and the relevant parts from Weichai Combustion in the production of gas engines by the Group in 2024. In light of the above, given that the Existing Cap for the year ending 31 December 2024 has been utilised as to approximately 58.3% by the end of June 2024, the Company estimates that the Existing Caps for this Continuing Connected Transaction will be insufficient.

Based on the above expected increase in demand for Weichai Combustion's products by the Group, it is considered that the Revised Cap for the year ending 31 December 2024 be adjusted upwards to RMB6,238,000,000 from the Existing Cap of RMB4,644,000,000 for the year ending 31 December 2024 to reflect the latest development trend. Further, 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 from

## LETTER FROM THE BOARD

Weichai Combustion on an annual basis will increase by approximately 10.0% and 9.8% for each of the two years ending 31 December 2026, respectively, and accordingly, RMB6,860,000,000 and RMB7,535,000,000 have been set as the Revised Caps for the two years ending 31 December 2026 for this Continuing Connected Transaction.

The table below summarises the proposed Revised Caps for the Continuing Connected Transaction as set out in this sub-section 2. for the three years ending 31 December 2026:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed Revised Cap	6,238,000,000	6,860,000,000	7,535,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 (whether considered singly or when aggregated with the proposed New Caps for the same period under sections IV.1.(b) and IV.2 herein and the relevant annual cap for the transaction between the Group and Weichai Holdings (and its associates) as disclosed in the announcement of the Company dated 30 August 2022) 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 Revised 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 2026 is a Non-exempt Continuing Connected Transaction and the proposed Revised Caps are subject to the approval of the Independent Shareholders, the Supplemental Agreement to the Weichai Westport Purchase Agreement is conditional upon the relevant resolution being passed at the EGM.

## LETTER FROM THE BOARD

### IV. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

#### *DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT NEW FRAMEWORK AGREEMENTS*

##### **The Company**

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

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

###### *Weichai Heavy Machinery*

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 Heavy Machinery is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000880) and its single largest shareholder, Weichai Holdings, holds approximately 30.59% of its issued shares. 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, which is in turn one of the leading automobile and equipment groups in the PRC, and (ii) Shandong Heavy Industry is ultimately governed and controlled by the Shandong Provincial People's Government.

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

##### **(a) *Sale of diesel engines and related products and raw materials, and provision of labour and technical related services, etc. by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)***

The Existing Weichai Heavy Machinery Sale and Supply Agreements which govern certain continuing connected transactions in respect of sale of certain products and services by the Group to the Weichai Heavy Machinery Group shall expire by the end of 31 December 2024, and the Company intends to continue to carry out such continuing connected transactions following expiry of the Existing Weichai Heavy Machinery Sale and Supply Agreements.



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Following a recent review by the Company of the relevant transactions governed under the Existing Weichai Heavy Machinery Sale and Supply Agreements, whilst the Group intends to continue the existing Continuing Connected Transactions with the Weichai Heavy Machinery Group following the expiry of the Existing Weichai Heavy Machinery Sale and Supply Agreements, considering that the Existing Weichai Heavy Machinery Sale and Supply Agreements both relate to the supply of products and/or services by the Group to the Weichai Heavy Machinery Group, the Board has resolved that, going forward, the transactions regulated under the Existing Weichai Heavy Machinery Sale and Supply Agreements shall be combined into one framework agreement, such that the Shareholders could be presented with a more streamlined view of the continuing connected transactions involving the Group's sale of products and/or services to the Weichai Heavy Machinery Group and, in turn, enable the Shareholders to better appreciate the extent of the Group's supply of products and/or services to the Weichai Heavy Machinery Group on an aggregated basis.

Accordingly, on 22 August 2024, the Company (for itself and on behalf of its subsidiaries) and Weichai Heavy Machinery (for itself and on behalf of the Weichai Heavy Machinery Group) entered into the New Weichai Heavy Machinery Supply Agreement on terms substantially the same as those of the Existing Weichai Heavy Machinery Sale and Supply Agreements (on a combined basis).

The principal terms of the New Weichai Heavy Machinery Supply Agreement and the transactions contemplated thereunder are as follows:

Agreement:	New Weichai Heavy Machinery Supply Agreement
Date:	22 August 2024
Parties:	1. The Company 2. Weichai Heavy Machinery
Term:	1 January 2025 to 31 December 2027

Pursuant to the New Weichai Heavy Machinery Supply Agreement, the Company (and/or other Group Company) (as the case may be) shall sell to the Weichai Heavy Machinery Group diesel engines and related products and raw materials, and provide labour and technical related services, etc. (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. The relevant products are expected to mainly comprise engines and oil products, whereas the relevant services are expected to mainly comprise technical support, warehousing and logistic services related to such products.

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The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services supplied to independent third party customers: the marketing department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those offered to independent third parties.

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 on terms no less favourable to the Group than those available to independent third parties, and thus 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 2024 for the transactions contemplated under the Existing Weichai Heavy Machinery Sale and Supply Agreements:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps:			
(a) under the Existing Weichai Heavy Machinery Sale Agreement	900,000,000	1,060,000,000	1,200,000,000
(b) under the Existing Weichai Heavy Machinery Supply Agreement	200,000,000	210,000,000	240,000,000
On an aggregated basis:	1,100,000,000	1,270,000,000	1,440,000,000

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The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the transactions contemplated under the Existing Weichai Heavy Machinery Sale and Supply Agreements:

	<b>Year ended 31 December 2022 RMB (audited)</b>	<b>Year ended 31 December 2023 RMB (audited)</b>	<b>Six months ended 30 June 2024 RMB (unaudited)</b>
Actual transaction amount:			
(a) under the Existing Weichai Heavy Machinery Sale Agreement	846,600,282	928,097,124	478,760,772
(b) under the Existing Weichai Heavy Machinery Supply Agreement	70,739,256	194,911,448	77,798,926
On an aggregated basis:	917,339,538	1,123,008,572	556,559,698
Utilisation rate (%)	83.4	88.4	38.6

The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Group's diesel engines generally. With the proximity between the Company's production facilities and those of Weichai Heavy Machinery, and in view of the high quality and the competitiveness of the Company's engines, the Company believes that the Weichai Heavy Machinery Group will continue to purchase the Group's diesel engines for the manufacture of power generators and purchase the Group's semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products for the manufacture of its products, including medium-speed diesel engines and power generators. It is expected that in the foreseeable few years the Chinese economy will continue to steadily recover; in recent years, the relevant national departments issued certain policies including the Action Plan for Promoting Large-scale Equipment Renewals and Consumer Goods Trade-ins (《推動大規模設備更新和消費品以舊換新行動方案》), the Implementation Opinions on Accelerating Green and Smart Development of Ships for Inland Waterways《關於加快內河船舶綠色智能發展的實施意見》, Five-year Action Plan for Accelerating the Building of a Nation with Strong Transportation (2023 -2027)《加快建設交通強國五年行動計劃(2023-2027年)》, the Action Plan for the Green Development of Shipbuilding Industry (2024-2030)《船舶製造業綠色發展行動綱要(2024-2030年)》, driving the positive development of the national shipbuilding industry and showing a stable and positive development trend, and the domestic large diameter medium-speed engines has encountered new development opportunities. The aforesaid factors shall in turn drive the Weichai

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Heavy Machinery Group's demand for the Group's said products and services, and accordingly it is expected that there will be further expansion of the business cooperation between the Group and the Weichai Heavy Machinery.

The Company estimates that the transaction amount in respect of the Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2027 will not exceed RMB1,500 million, RMB1,560 million and RMB1,620 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said diesel engine and related products, semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products required by the Weichai Heavy Machinery Group, and (iii) the average unit prices of the said diesel engine and related products, semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products. Taking into account and on the basis of all the aforesaid factors, as well as the estimation that the Existing Cap for the year ending 31 December 2024 will be utilised as to approximately 90% based on the existing circumstances of the Group's sales and the expected development trend in the second half of 2024, the New Cap for the year ending 31 December 2025 has been adjusted upwards by approximately 4.2% compared to the Existing Cap for the year ending 31 December 2024, and it is estimated that, comparing to each of the years ending 31 December 2025 and 2026, the overall transaction amounts for the said sale of products and services will further increase by approximately 4.0% and 3.8% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2027:

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,500,000,000	1,560,000,000	1,620,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2027 (when aggregated with the proposed New Caps for the same period under section III.1 herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the New Weichai Heavy Machinery Supply Agreement and the relevant proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Since this Continuing Connected Transaction (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, the New Weichai Heavy Machinery Supply Agreement is conditional upon the relevant resolution being passed at the EGM.

(b) *Purchase of diesel engines and related products and raw materials, and receipt of labour and technical related services, etc. by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)*

Agreement: New Weichai Heavy Machinery Purchase Agreement

Date: 22 August 2024

Parties: 1. The Company  
2. Weichai Heavy Machinery

Term: 1 January 2025 to 31 December 2027

The terms of the New Weichai Heavy Machinery Purchase Agreement are substantially the same as those of the Existing Heavy Machinery Purchase Agreement.

Pursuant to the New Weichai Heavy Machinery Purchase Agreement, the Company, and/or other Group Company (as the case may be) shall purchase certain diesel engines and related products and raw materials, and receive related labour and technical services, etc. from the Weichai Heavy Machinery Group at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis. The relevant products are expected to mainly comprise ship engines, generators, semi-finished parts and components, whereas the relevant services are expected to mainly comprise technical support and labour services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management

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workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

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 on terms no less favourable to the Group than those available from independent third parties, and thus 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 2024 for the Continuing Connected Transaction set out in this sub-section 1.(b):

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	1,320,000,000	1,500,000,000	1,750,000,000

The table below summarises the actual transaction amounts involved for the purchases and services for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1.(b):

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	723,039,060	778,279,789	427,948,578
Utilisation rate (%)	54.8	51.9	24.5

In light of the above, the Company estimates that the aggregate transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 1.(b) will not exceed RMB1,340 million, RMB1,510 million and RMB1,730 million for each of the three years ending 31 December 2027 and therefore such amount has accordingly been set as the New Caps for this Continuing Connected Transaction.

In 2022 and 2023, the economic recovery was slower than expected. Affected by the weak performance of the heavy duty vehicle industry, the purchase by the Group from the Weichai Heavy Machinery Group was less than expected. However, in the first half of 2024, along with the improvement of economic conditions and the introduction of policies which resulted in the gradual release of demand, the

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favourable factors for industry development have increased, accordingly, it is expected that the heavy duty vehicle industry will rebound. This has been evidenced by the actual transaction amounts for the first half of 2024. The Company expects that the aforesaid transaction amounts in respect of the purchase of diesel engines and related products and raw materials and receipt of labour and technical related services by the Group from Weichai Heavy Machinery Group will maintain steady increase for the three years ending 31 December 2027.

The above 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 and in view of the implementation of the Group's procurement plan for the years 2025 to 2027 and (iii) the increase in the market prices of the relevant diesel engines and related products and the costs of labour and technical services to be purchased by the Group. Taking into account the relatively low utilisation rate of the Existing Caps, the New Cap for the year ending 31 December 2025 has been adjusted downwards by approximately 23.4% compared to the Existing Cap for the year ending 31 December 2024, and further, taking into account and on the basis of all the abovementioned factors, the overall transaction amounts for the said purchase of products and services will further increase by approximately 12.7% and 14.6% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2027:

	2025	2026	2027
	RMB	RMB	RMB
New Cap	1,340,000,000	1,510,000,000	1,730,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in this sub-section 1.(b) (when aggregated with the proposed Revised Caps and New Caps for the same period under sections III.2 and IV.2 herein and the relevant annual cap for the transaction between the Group and Weichai Holdings (and its associates) as disclosed in the announcement of the Company dated 30 August 2022) exceeds the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the New Weichai Heavy Machinery Purchase Agreement and the relevant proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction (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, the New Weichai Heavy Machinery Purchase Agreement is conditional upon the relevant resolution being passed at the EGM.

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### 2. *Continuing Connected Transactions between CNHTC (and its Associates) and the Group*

#### *CNHTC*

CNHTC is a commercial vehicles manufacturer. It is a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government\* (山東省人民政府).

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.30% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. As Shandong Heavy Industry is a holder of 65% of the equity interest in CNHTC, CNHTC is an associate of Shandong Heavy Industry and, accordingly, a connected person of the Company.

*Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and receipt of relevant services, etc. by the Company (and its subsidiaries) from CNHTC (and its Associates)*

Agreement:	New CNHTC Purchase Agreement
Date:	22 August 2024
Parties:	1. The Company 2. CNHTC
Term:	1 January 2025 to 31 December 2027

The terms of the New CNHTC Purchase Agreement are substantially the same as those of the Existing CNHTC Purchase Agreement.

Pursuant to the New CNHTC Purchase Agreement, the CNHTC Group shall supply certain vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services, etc. (as the case may be) to the Company and/or other Group Company (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, 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. The relevant products are expected to mainly comprise vehicle compartments, fuel injectors and complete vehicles, whereas the relevant services are expected to mainly comprise warehousing and logistics services related to such products.



## LETTER FROM THE BOARD

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and makes amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

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 on terms no less favourable to the Group than those available from independent third parties, and thus 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 2024 for the Continuing Connected Transaction set out in this sub-section 2.:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	617,000,000	847,000,000	1,083,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) in respect of the Group's purchase of relevant products and services from the CNHTC Group:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	320,062,740	740,678,752	347,170,225
Utilisation rate (%)	51.9	87.4	32.1

## LETTER FROM THE BOARD

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 2. for the three years ending 31 December 2027 will not exceed RMB845 million, RMB894 million and RMB952 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, (ii) its estimate of an increase in transaction volume of the said purchases in view of the implementation of the Group's sales plan for the years 2025 to 2027, which in turn is based on the estimated production volume, material cost, processing cost and the volume of diesel engines to be sold and exported, (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the supply of relevant products and services by the CNHTC Group to the Group for the processing and manufacturing of vehicles and vehicle engines, and (iv) the increased demands from customers of the Group requesting for the installation of vehicle parts and components and engines from the CNHTC Group, and the Group's anticipated adjustment in replacing third party suppliers with the CNHTC Group in order to meet with such demands. Given the track record of CNHTC Group being able to constantly supply products and services of reliable quality to the Group, it is expected the Group will undertake closer cooperation with the CNHTC Group. Although the utilisation rate of the Existing Cap for the year ended 31 December 2022 was relatively low mainly due to an unexpected change of the then market circumstances, it is estimated that the Existing Cap for the year ending 31 December 2024 will be utilised as to approximately 74% based on the existing circumstances of the Group's procurement and expected development trend in the second half of 2024, and the said further cooperation is expected to bring synergy effect to both the Group and the CNHTC Group and accordingly will bring more businesses and source of revenue for the Group.

Taking into account the relatively low utilisation rate of the Existing Caps and on the basis of all the aforesaid factors, the New Cap for the year ending 31 December 2025 has been adjusted downwards by approximately 22.0% compared to the Existing Cap for the year ending 31 December 2024, and it is estimated that, comparing to each of the years ending 31 December 2025 and 2026, the overall transaction amounts for the said purchase of products and services will further increase by approximately 5.8% and 6.5% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

The table below sets out the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 2. for the three years ending 31 December 2027:

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Caps	845,000,000	894,000,000	952,000,000

## LETTER FROM THE BOARD

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in this sub-section 2. (when aggregated with the proposed Revised Caps and New Caps for the same period under sections III.2 and IV.1.(b) herein and the relevant annual cap for the transaction between the Group and Weichai Holdings (and its associates) as disclosed in the announcement of the Company dated 30 August 2022) exceeds the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the New CNHTC Purchase Agreement and the relevant proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction (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, the New CNHTC Purchase Agreement is conditional upon the relevant resolution being passed at the EGM.

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

#### **1. Continuing Connected Transactions between 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 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 such 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 transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

As the Company has conducted the Continuing Connected Transactions with the Weichai Heavy Machinery Group for many years and the Company has built up a long term strategic and solid business relationship with the Weichai Heavy Machinery Group, the Board considers it beneficial to the Company to continue to conduct such Continuing Connected Transactions in order to ensure and maximize operating efficiency and stability of the operations of the Company. The Board is not aware of any disadvantage to the Group in continuing to conduct such Continuing Connected Transactions.

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### **2. Continuing Connected Transactions between CNHTC (and its Associates) and the Group**

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines and CNHTC is a commercial vehicles manufacturer. Leveraging on the existing business relationship between the Group and the CNHTC Group, the Board considers that such Continuing Connected Transactions will allow the Group to maintain a strong strategic and business relationship with the CNHTC Group, thereby generating synergy potential and mutual economic benefits between the Group and the CNHTC Group.

In respect of the Continuing Connected Transactions between the Group and the CNHTC Group, the Board is of the view that the purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services from the CNHTC Group will enable the Group to secure a stable and reliable supply of quality products and services from the CNHTC Group which will, in turn, further support the increase of the overall sale volumes of the products of the Group. The sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services to the CNHTC Group will also provide a secure source of revenue for the Group and contribute to the implementation of the Group's sales plan.

### **3. Continuing Connected Transactions between Weichai Combustion and the Group**

In respect of the Continuing Connected Transaction between the Group and Weichai Combustion, the Board is of the view that the purchase of gas engines, gas engine parts and receipt of labour services and related products and services from Weichai Combustion, 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 Combustion, thereby generating synergy potential and mutual economic benefits between the Group and Weichai Combustion. The Board considers that the revision of annual caps for such Continuing Connected Transaction pursuant to the Supplemental Agreement will continue to provide the Group with a stable and reliable supply of quality gas engines from Weichai Combustion instead of sourcing from other market suppliers, which, is expected to maintain a stable production of the Group's products and, in turn, contribute to the Group's generation of income.

The Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected 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. Accordingly, the Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected Transactions) are of the view that all the

## LETTER FROM THE BOARD

Continuing Connected Transactions, and the relevant proposed Revised Caps and New Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

At the meeting of the Board on 22 August 2024 approving, inter alia, the Continuing Connected Transactions, the following Directors have abstained from voting on the resolutions in respect of certain Continuing Connected Transactions 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 Heavy Machinery (and its subsidiaries) set out under section IV.1. in this circular – Mr. Ma Changhai, Mr. Zhang Quan, Mr. Wang Decheng, Mr. Sun Shaojun and Mr. Zhang Liangfu
2. Continuing Connected Transactions with CNHTC (and its Associates) set out under sections III.1. and IV.2. in this circular – Mr. Ma Changhai and Mr. Zhang Quan
3. Continuing Connected Transactions with Weichai Combustion set out under section III.2. in this circular – Mr. Ma Changhai, Mr. Zhang Quan, Mr. Wang Decheng and Mr. Sun Shaojun

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

For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions under sections III.1. and IV.1.(a) have been aggregated and the transactions under paragraphs III.2, IV.1.(b) and IV.2. have been aggregated with the transaction between the Group and Weichai Holdings (and its associates) as disclosed in the announcement of the Company dated 30 August 2022.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transactions as set out in sections III. and IV of this circular exceeds the 5% Threshold on an aggregated basis, such Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company and their respective New Framework Agreement or Supplemental Agreement and proposed New Caps or Revised 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.

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### VI. PRC CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 22 August 2024 on the Stock Exchange (the “CCT Announcement”), which announced, *inter alia*, that the Company has entered into the PRC New Framework Agreements with Fast Transmission.

Fast Transmission is principally engaged in the manufacture and sale of transmission products and parts and components of vehicles. Fast Transmission, holding 49% interest in SFGC, is a substantial shareholder of SFGC (which is a subsidiary of the Company) and is accordingly a subsidiary-level connected person of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Fast Transmission is ultimately beneficially owned by the State-owned Assets Supervision and Administration Commission of Shaanxi Provincial People’s Government (陝西省人民政府國有資產監督管理委員會).

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

Connected person and details of the relevant PRC Continuing Connected Transactions	<b>Proposed new caps</b>		
	For the year ending 31 December 2025 RMB	For the year ending 31 December 2026 RMB	For the year ending 31 December 2027 RMB
<b>Fast Transmission</b>			
(a) Sale of parts and components of transmissions and related products and provision of labour services, etc. by the Company (and its subsidiaries) to Fast Transmission (and its associates)	1,588,000,000	1,985,000,000	2,481,000,000
(b) Purchase of parts and components of transmissions and related products and receipt of labour services, etc. by the Company (and its subsidiaries) from Fast Transmission (and its associates)	5,939,000,000	7,410,000,000	9,246,000,000

## LETTER FROM THE BOARD

### PRC New Framework Agreements

As set out in the section headed IV.B. of the CCT Announcement, the transactions contemplated under the PRC New Framework Agreements constitute Exempt Continuing Connected Transactions and are, accordingly, not subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such continuing connected transactions constitutes PRC Continuing Connected Transactions and are subject to approval of the independent Shareholders at the EGM.

A summary of the salient terms of the PRC New Framework Agreements is set out below for Shareholders' information.

(a) *Sale of parts and components of transmissions and related products and provision of labour services, etc. by the Company (and its subsidiaries) to Fast Transmission (and its associates)*

Agreement: New Fast Transmission Sale Agreement

Date: 22 August 2024

Parties: 1. The Company  
2. Fast Transmission

Term: 1 January 2025 to 31 December 2027

The terms of the New Fast Transmission Sale Agreement are substantially the same as those of the Existing Fast Transmission Sales Agreement.

Pursuant to the New Fast Transmission Sale Agreement, the Company and/or other Group Company (as the case may be) shall sell to the Fast Transmission Group certain parts and components of transmissions and related products and provide labour services, etc. at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. The relevant products are expected to mainly comprise parts and components of transmissions and transmission powertrain whereas the relevant services are expected to mainly comprise labour services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services supplied to independent third party customers: the marketing department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final

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prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those offered to independent third parties.

The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Fast Transmission Continuing Connected Transaction is conducted on normal commercial terms and on terms no less favourable to the Group than those available to independent third parties, and thus 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 2024 for the Fast Transmission Continuing Connected Transaction set out in this sub-section (a):

	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	6,192,000,000	7,536,000,000	9,000,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the Fast Transmission Continuing Connected Transaction set out in this sub-section (a):

	Year ended	Year ended	Six months
	31 December	31 December	ended
	2022	2023	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	1,332,943,730	2,233,846,707	613,364,194
Utilisation rate (%)	21.5	29.6	6.8

The Company estimates that the transaction amount for the Fast Transmission Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2027 will not exceed RMB1,588 million, RMB1,985 million and RMB2,481 million, respectively and such amounts have accordingly been set as the proposed New Caps for this Fast Transmission Continuing Connected Transaction.

The parts and components sold by the Group to the Fast Transmission Group pursuant to this Fast Transmission Continuing Connected Transaction are used by the Fast Transmission Group in its manufacture of transmission products and parts and components of vehicles. Due to general market conditions, the actual transaction amounts



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for the three years ending 31 December 2024 were less than expected and the utilisation rates of the Existing Caps are relatively low. In particular in light of the actual transaction amounts for the six months ended 30 June 2024 being approximately RMB614 million, the proposed New Cap for the year ending 31 December 2025 has been set at RMB1,588 million, which amounts to approximately 2.6 times of the actual transaction amounts for the six months ended 30 June 2024 with reference also to the rising market sentiment and a buffer for future increase. Further, with the expected increase in the production of heavy duty hydraulic automatic transmissions of the Group and the expected improvement in the market, the Company expects that the business cooperation between the Group and the Fast Transmission Group will further expand and that the sales of parts and components by the Group will increase by approximately 25% for each of the years ending 31 December 2026 and 31 December 2027. Accordingly, it is expected that the volume of the parts and components to be sold by the Group to the Fast Transmission Group for its processing will increase accordingly.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, and (ii) the estimate of the volume and amount of the said parts and components of transmissions to be sold by the Group to the Fast Transmission Group. Taking into account and on the basis of all the aforesaid factors, the New Cap for the year ending 31 December 2025 has been adjusted downwards by approximately 82.4% compared to the Existing Cap for the year ending 31 December 2024, and it is estimated that, comparing to each of the years ending 31 December 2025 and 2026, the overall transaction amounts for the said sale of products and services will further increase by approximately 25.0% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

The table below summarises the proposed New Caps for the Fast Transmission Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2027:

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,588,000,000	1,985,000,000	2,481,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction for the three years ending 31 December 2027 as set out in this sub-section (a) exceeds the 0.1% Threshold but does not exceed the 5% Threshold, this Continuing Connected Transaction constitutes an Exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval under the Listing Rules.

Since this Fast Transmission Continuing Connected Transaction for the three years ending 31 December 2027 is an Exempt Continuing Connected Transaction, the New Fast Transmission Sale Agreement is not subject to the approval of the Independent Shareholders under the Listing Rules.

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However, since this Fast Transmission Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant proposed New Caps and the New Fast Transmission Sale Agreement are subject to the approval by the independent Shareholders at the EGM.

(b) *Purchase of parts and components of transmissions and related products and receipt of labour services, etc. by the Company (and its subsidiaries) from Fast Transmission (and its associates)*

Agreement: New Fast Transmission Purchase Agreement

Date: 22 August 2024

Parties: 1. The Company  
2. Fast Transmission

Term: 1 January 2025 to 31 December 2027

The terms of the New Fast Transmission Purchase Agreement are substantially the same as those of the Existing Fast Transmission Sales Agreement.

Pursuant to the New Fast Transmission Purchase Agreement, the Group shall purchase from the Fast Transmission Group certain parts and components of transmissions and related products and receive labour services, etc., and related products at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis. The relevant products are expected to mainly comprise semi-finished transmissions and ancillary products for transmissions whereas the relevant services are expected to mainly comprise labour services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

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The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Fast Transmission Continuing Connected Transaction is conducted on normal commercial terms and on terms no less favourable to the Group than those available from independent third parties, and thus 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 2024 for the Fast Transmission Continuing Connected Transaction set out in this sub-section (b):

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	15,000,000,000	18,120,000,000	22,080,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the Fast Transmission Continuing Connected Transaction set out in this sub-section (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>2022</b>	<b>2023</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	2,613,855,024	5,471,478,017	2,779,634,008
Utilisation rate (%)	17.4	30.2	12.6

The Company estimates that the transaction amount for the Fast Transmission Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2027 will not exceed RMB5,939 million, RMB7,410 million and RMB9,246 million respectively and such amounts have accordingly been set as the proposed New Caps for this Fast Transmission Continuing Connected Transaction.

The parts and components purchased from Fast Transmission pursuant to this Fast Transmission Continuing Connected Transaction have been used in the Group's production. Due to general industry performance, the actual transaction amounts for the three years ending 31 December 2024 were less than expected and the utilisation rates of the Existing Caps are relatively low. In particular in light of the actual transaction amounts for the six months ended 30 June 2024 being approximately RMB2,780 million, the proposed New Cap for the year ending 31 December 2025 has been set at RMB5,939 million, which amounts to approximately 2.14 times of the actual transaction amounts for the six months ended 30 June 2024 with reference also to the rising market sentiment and a buffer for future increase. With the expected increase in the production of heavy duty hydraulic automatic transmissions of the Group and the expected improvement in the market, the Company expects that the sales of such products by the Group will increase by

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approximately 25% for each of the years ending 31 December 2027. Accordingly, it is expected that the volume of the parts and components to be purchased by the Group from the Fast Transmission Group for its production will increase accordingly.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, and (ii) the estimate of the volume and amount of the said parts and components of transmissions and labour services to be purchased by the Group from the Fast Transmission Group. Taking into account and on the basis of all the aforesaid factors, the New Cap for the year ending 31 December 2025 has been adjusted downwards by approximately 73.1% compared to the Existing Cap for the year ending 31 December 2024, and it is estimated that, comparing to each of the years ending 31 December 2025 and 2026, the overall transaction amounts for the said purchase of products and services will further increase by approximately 24.8% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

The table below summarises the proposed New Caps for the Fast Transmission Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2027:

	2025	2026	2027
	RMB	RMB	RMB
New Cap	5,939,000,000	7,410,000,000	9,246,000,000

Since (i) Fast Transmission is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved this Fast Transmission Continuing Connected Transaction; and (iii) the independent non-executive Directors have confirmed that the terms of this Fast Transmission Continuing Connected Transaction and the proposed New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, this Fast Transmission Continuing Connected Transaction is subject to the reporting and announcement requirements but is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Since this Fast Transmission Continuing Connected Transaction for the three years ending 31 December 2027 is an Exempt Continuing Connected Transaction, the New Fast Transmission Purchase Agreement is not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Fast Transmission Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant proposed New Caps and the New Fast Transmission Purchase Agreement are subject to the approval by the independent Shareholders at the EGM.

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For further details of the PRC New Framework Agreements, please refer to (i) the announcement of the Company entitled 《潍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 22 August 2024 on the website of The Shenzhen Stock Exchange, and (ii) the section headed “IV.B. Fast Transmission Continuing Connected Transactions” of the CCT Announcement.

### VII. EGM

It was proposed that (i) the Supplemental Agreements and New Framework Agreements in respect of the Non-exempt Continuing Connected Transactions and the relevant Revised Caps and New Caps; and (ii) the PRC New Framework Agreements in respect of the PRC Continuing Connected Transactions and the relevant new caps shall be considered and, if thought fit, approved at the EGM.

The EGM will be held at the Company’s conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on Friday, 22 November 2024 to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the EGM set out in pages 88 to 90 of this circular.

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

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

The form of proxy for use at the EGM is published together with this circular. Holders of A Shares may use the form of proxy published by the Company on the website of the Shenzhen Stock Exchange instead and refer to the procedures set out therein. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof.

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

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

The register of holders of H Shares of the Company will be closed from 19 November 2024 to 22 November 2024, 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 18 November 2024.

## LETTER FROM THE BOARD

### IX. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected Transactions), are of the opinion that the relevant Revised Caps and New Caps and the terms of the Supplemental Agreements and the New Framework 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 resolution regarding the same.

The Independent Board Committee comprising the independent non-executive Directors (namely, Ms. Jiang Yan, Mr. Chi Deqiang, Mr. Zhao Fuquan, Mr. Xu Bing and Mr. Tao Huaan) has been appointed to consider the Continuing Connected Transactions and the respective Revised Caps and 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 and the New Framework Agreements and the relevant Revised Caps and 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 Revised Caps and New Caps and the Supplemental Agreements and the New Framework Agreements, which are set out in this circular.

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

### X. 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  
**Ma Changhai**  
*Chairman*

\* For identification purposes only

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



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

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

**(Stock Code: 2338)**

31 October 2024

*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 New Framework Agreements and the relevant Revised Caps and New Caps (as defined in the circular of the Company dated 31 October 2024 (the “Circular”)) in relation to the Non-exempt Continuing Connected Transactions, details of which are set out in the sections headed “III. Revision of annual caps of existing Continuing Connected Transactions” and “IV Renewal of existing Continuing Connected Transactions” in the “Letter from the Board” contained in the Circular. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

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

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 Supplemental Agreements and the New Framework Agreements and the relevant Revised Caps and New Caps are fair and reasonable and the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of the Company's business and are on normal commercial terms or better, and in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supplemental Agreements and the New Framework Agreements and the relevant Revised Caps and New Caps for the Non-exempt Continuing Connected Transactions.

Yours faithfully,  
The Independent Board Committee

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

**Chi Deqiang**  
*Independent  
non-executive Director*

**Zhao Fuquan**  
*Independent  
non-executive Director*

**Xu Bing**  
*Independent  
non-executive Director*

**Tao Huan**  
*Independent  
non-executive Director*

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

*The following is the full text of the letter dated 31 October 2024 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 Non-exempt Continuing Connected Transactions and the respective Revised Caps and New Caps, prepared for the purpose of incorporation in this circular.*

## TRINITY

**Trinity Corporate Finance Limited**

Room 102B, 1/F, Building 5W,  
Hong Kong Science Park,  
New Territories,  
Hong Kong.

31 October 2024

*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 Revised Caps and 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 31 October 2024 (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 22 August 2024, the Group entered into (i) the Supplemental Agreements; and (ii) the New Framework Agreements in respect of the Continuing Connected Transactions, as more particularly described in the Letter from the Board.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transactions as set out in sections III and IV in the Letter from the Board exceeds the 5% Threshold on an aggregated basis, such Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company and their respective New Framework Agreement or Supplemental Agreement and proposed New Caps or Revised Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Since the Continuing Connected Transactions (on an aggregated basis) are Non-exempt Continuing Connected Transactions and the proposed Revised Caps and New Caps (as applicable) are subject to the approval of the Independent Shareholders, the Supplemental Agreements and the New Framework Agreements are conditional upon the relevant resolution(s) being passed at the EGM.



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

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

The Independent Board Committee, comprising all the independent non-executive Directors, (namely, Ms. Jiang Yan, Mr. Chi Deqiang, Mr. Zhao Fuquan, Mr. Xu Bing and Mr. Tao Huan) has been appointed to consider the Non-exempt Continuing Connected Transactions and the respective Revised Caps and 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 non-exempt continuing connected transaction in respect of the Weichai Freshen Air Purchase Agreement announced on 23 November 2022 (details of which were set out in the circular of the Company dated 8 December 2022) and the non-exempt continuing connected transactions in respect of the New Framework Agreements announced on 30 August 2023 (details of which were set out in the circular of the Company dated 30 November 2023). Apart from normal professional fees paid or payable 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.

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

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.

In accordance with Rule 13.80 of the Listing Rules, to formulate our opinion, we have independently reviewed, inter alia, the 2023 annual report and 2024 interim results announcement of the Company, the historical transaction amounts, the Letter from the Board and the samples of transactions of the Company relating to the Non-exempt 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 Revised Caps and 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 Revised Caps and New Caps, we have taken into account the following principal factors and reasons:

#### A. 1. Financial performance of the Company

As disclosed in the annual report of the Company for the financial year ended 31 December 2023, the Company's revenue increased by 22.2% as compared with that in the corresponding period of 2022 to approximately RMB213,958 million. Net profit attributable to the shareholders of the Company amounted to approximately RMB9,014 million, representing an increase of approximately 83.8% as compared with that in the corresponding period of 2022. Basic earnings per share was RMB1.04, representing an increase of approximately 84.5% as compared with that in the corresponding period of 2022.

According to the Company's interim results announcement for the six months ended 30 June 2024 (the "**2024 Interim Results Announcement**"), the Company's revenue amounted to approximately RMB112,490 million, an increase of approximately 6.0% and net profit attributable to the shareholders of the Company amounted to approximately RMB5,903 million, an increase of approximately 51.4% as compared with that in the corresponding period of 2023.

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

### 2. Overview of the major products of the Group

According to the Company's 2024 Interim Results Announcement, the following is an extract of the overview of the operating conditions of the major products of the Group:

#### (i) *Power System Business*

The Company released the world's first diesel engine with base engine brake thermal efficiency of 53.09%, which set a new world record for four times in a row and marked the Chinese internal combustion engine industry reaching the world's top level. The Company also launched the new generation of 13L/15L/17L natural gas engines, and enhanced the power performance, reliability, affordability and comfort of products to a new level, including the power and performance of the M33 and M55 full series power generation products. The Company also made breakthroughs in key technologies of CVT hydraulic unit, control system and integrated design, and formed a significant differentiated advantage in hydraulic powertrains for construction machinery.

During the reporting period, the market shares of the Company in various segment markets increased steadily which maintained its leading position in various product markets. Sales volume of engines amounted to 400,000 units, representing a year-on-year increase of 9.8%, among which the domestic market share of natural gas heavy-duty engines reached 63.1% and the domestic market share of 6x4 tractor engines with 500hp or above reached 44.6%, firmly occupying the first place in the major segment markets of the industry. Sales volume of gear boxes amounted to 477,000 units, representing a year-on-year increase of 12.1%. Sales volume of axles amounted to 428,000 units, representing a year-on-year increase of 18.7%. The domestic revenue of high-end hydraulic products achieving RMB530 million, representing a year-on-year growth of 6.6%.

#### (ii) *Commercial Vehicle Business*

The Company adhered to the strategy of leading with complete vehicles and machineries, continuously enhanced the market competitiveness of its products, and accelerated collaborative upgrading of the industrial chain. Shaanxi Heavy-duty Motor Company Limited, the Company's subsidiary, has stepped up its efforts to explore the market and undertook integrated promotion, and recorded a sales volume of complete vehicles of 63,000 units in the first half of the year, representing a year-on-year increase of 3.6%, which achieved improvements in both scales of production and sales and operational efficiency. Seizing the market opportunity of "oil to gas conversion", the Company achieved new breakthroughs in overseas markets. In the first half of the year, the Company recorded a sales volume of gas vehicles of over 17,000 units, representing a year-on-year increase of 134.3%. Facing the demand of the end market, the Company ranked first in a row in segment markets such as oilfield vehicles and road construction vehicles. By actively responding to the national "Belt and Road Initiative" to tap the market

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

potential of countries within the initiative, the export volume amounted to 30,000 units, representing a market share of 20%, and the overall export sales volume reached the highest level in the same period of the previous years.

*(iii) Agricultural Equipment Business*

The Company actively responded to the national rural revitalisation strategy, promoted the continuous upgrade of agricultural machinery and equipment and led the industrial chain of agricultural machinery and equipment in China to accelerate towards high-end. Weichai Lovol Intelligent Agricultural Technology Co., Ltd., the Company's subsidiary, has been focusing on the construction of three core capabilities of "intelligent agricultural machinery, precise agriculture and digital agricultural services", so as to activate the development momentum with technological innovation and build the top brand of agricultural machinery in China. With steady increase in market share of the Company's principal business, the Company maintained a high-quality and high-speed development trend. In the first half of the year, the sales revenue recorded a year-on-year increase of 28%, which was a historical new record. The overall sales volume of agricultural machinery products recorded a year-on-year increase of 17%, ranking first in the industry in terms of scale, in which the overseas export sales volume recorded a year-on-year increase of 68%. Through measures such as optimising product mix, increasing channel development in disadvantaged areas and increasing service input, the sales volume of tractors, wheeled machines and crawlers achieved a year-on-year growth, which was significantly higher than the average growth rate in the industry, and the market share of the Company's principal business continued to expand.

*(iv) Intelligent Logistics Business*

The Company has the world's leading intelligent logistics business segment. KION Group AG ("KION"), the Company's overseas controlling subsidiary based in Germany, is a globally leading supplier in the area of intelligent logistics, and is dedicated to providing intelligent logistics solutions for factories, warehouses, distribution centers, etc. around the world. In the first half of 2024, KION overcame the impact of the inflation and supply chain issues and achieved a record-high revenue as compared with the same period in history of EUR5.74 billion, representing a year-on-year increase of 2.1%. The EBIT after adjustment amounted to EUR450 million, representing a year-on-year increase of 28.3% and a significant improvement in profitability. Among which its forklift business (represented by Linde and STIHL) realised a revenue of EUR4.31 billion and the supply chain solution business (represented by the Dematic Group) realised a revenue of EUR1.45 billion.

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*(v) New Business Format, New Energy and New Technology*

The Company firmly implemented the “Dual Carbon” strategy, accelerated the development of the “Three New” businesses, and promoted green and low-carbon development. The quality and efficiency of the Company’s new energy business has been improved to create differentiated competitive advantages of “Three Electric” products. The Company developed heavy-duty truck and light-duty truck power battery products with long driving range and realised mass application, the power battery of which had obvious advantages over competing products in terms of charge and discharge temperature rise and energy density, etc. The Company’s independently-developed and-designed 220-platform high-speed flat wire motor with obvious advantages in terms of efficiency and power had been put into mass production for light-duty trucks, mine trucks and heavy-duty trucks. The Company planned and developed extended range of products for mine trucks, loaders, bulldozers and tractors, so as to promote the full series layout of non-road hybrid products. The Company’s fuel cell core technology led the hydrogen energy sector with excellent product competitiveness among the industry. The Company developed high-power fuel cells for high-speed trunk logistics scenarios, and the system power was increased to 300kW. It accelerated the commercialisation of solid oxide fuel cells with highest power generation efficiency exceeding 60%, combined heat and power efficiency exceeding 90% and accumulated operation exceeding 50,000 hours, providing green and low-carbon solutions for distributed energy and microgrids.

**B. Introduction**

Reference is made to the announcement of the Company dated 22 August 2024 in relation to, inter alia, the entering into of the Supplemental Agreements and the New Framework Agreements in respect of the Continuing Connected Transactions (being Non-exempt Continuing Connected Transactions).

A summary of the Continuing Connected Transactions and the proposed Revised Caps and New Caps is set out in section II in the Letter from the Board. Further details of the terms of the Supplemental Agreements and the New Framework Agreements, the Existing Caps, the actual transaction amounts of the Continuing Connected Transactions for the relevant periods and the bases of determination of the proposed Revised Caps and New Caps are set out in sections III and IV in the Letter from the Board.

Details of the Non-exempt Continuing Connected Transactions and our analysis are set out in sections C and D below.

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

**C. Revision of annual caps of existing Continuing Connected Transactions**

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

**1. *Continuing Connected Transactions between CNHTC (and its Associates) and the Group***

*CNHTC*

CNHTC is a commercial vehicles manufacturer. It is a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government (山東省人民政府).

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.30% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. As Shandong Heavy Industry is a holder of 65% of the equity interest in CNHTC, CNHTC is a subsidiary of Shandong Heavy Industry and, accordingly, a connected person of the Company.

*Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and provision of relevant services by the Company (and its subsidiaries) to CNHTC (and its Associates)*

Agreement:	Supplemental Agreement to the Existing CNHTC Supply Agreement
Date:	22 August 2024
Parties:	1. The Company 2. CNHTC
Term:	1 January 2024 to 31 December 2026

Due to operational needs of the Group, the Company expects that the Existing Cap for the year ending 31 December 2024 under the Existing CNHTC Supply Agreement will be insufficient, and the Group intends to continue to conduct the relevant transactions with CNHTC (and its Associates) following the expiry of the Existing CNHTC Supply Agreement. The Company therefore entered into Supplemental Agreement to the Existing CNHTC Supply Agreement to revise the Existing Cap for the year ending 31 December 2024 and obtain New Caps for the two years ending 31 December 2026.

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Save for the said revision of the Existing Caps for the year ending 31 December 2024 to the Revised Cap and the setting of the New Caps for the two years ending 31 December 2026, all other material terms of the Existing CNHTC Supply Agreement remain unchanged.

Pursuant to the Existing CNHTC Supply Agreement (as supplemented by the Supplemental Agreement), the Company and/or other Group Company (as the case may be) shall sell vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services (as the case may be) to the CNHTC Group at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2026, 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. The relevant products are expected to mainly comprise engines, engine parts and components, oil products, axles, transmissions, fuel cells and aftertreatment system products, whereas the relevant services are expected to mainly comprise research and development and consultation services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services supplied to independent third party customers: the marketing department of the Company regularly conducts market research and analysis regarding relevant products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those offered to independent third parties.

We have reviewed the 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 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. We observed from the monthly report that the Company has kept abreast of the market environment in respect of recent macro-economic data, industry data and government policies which may have an impact on the industry as a whole and factors which may affect the cost of production and demand for the different product lines of the Company. Also, we

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
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have reviewed the monthly monitoring report on the accumulated annual transaction amount of the Continuing Connected Transactions prepared by the Group's finance department, which compared such accumulated annual transaction amount of each Continuing Connected Transaction against the respective pre-approved cap. We note that if any accumulated annual transaction amount of any such Continuing Connected Transaction exceeds 70% of the pre-approved annual cap, the relevant Continuing Connected Transaction shall be reported to the Company's capital operations department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. On the basis of the above, we are of the view that (i) the Group's internal control measures in place as stated above are effective; and (ii) such internal control measures have ensured the terms of the Continuing Connected Transactions will be no less favourable than those entered into between the Group and the independent third parties.

In addition, we have reviewed two samples of transactions selected from the transactions conducted with the Company's related party, of which the selection criteria is being selected by the Company on a random basis, to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the selected sample size is adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties. In this respect, we note that the Company's independent non-executive Directors, the internal audit team and the auditors of the Company review the transactions in relation to the Continuing Connected Transactions on an annual basis. Accordingly, we are of the view 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 the Company's internal control measures are able to ensure that the Continuing Connected Transactions are made on terms no less favourable to the Group as compared to those available to independent third parties.

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 on terms no less favourable to the Group than those available to independent third parties, and thus 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 prices, which are on normal commercial terms or better.



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The table below summarises the Existing Caps for the three years ending 31 December 2024 for the Continuing Connected Transaction set out in this sub-section:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	16,127,000,000	17,889,000,000	19,758,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) in respect of the Group's sale of relevant products and services to the CNHTC Group and the relevant utilisation rates of each of the relevant Existing Caps:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>RMB</i> <i>(audited)</i>	<i>RMB</i> <i>(audited)</i>	<i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	3,970,718,032	14,180,621,543	9,998,459,831
Approximate utilisation rate (%)	24.6	79.3	50.6

As at the Latest Practicable Date, the actual transaction amount for the transactions contemplated under the Existing CNHTC Supply Agreement has not exceeded its Existing Cap for the year ending 31 December 2024.

As illustrated in the table above, the utilisation rate of the Existing Cap for the year ended 31 December 2023 already increased rapidly to approximately 79.3% from 24.6% for the year ended 31 December 2022. Furthermore, the utilisation rate for the year ending 31 December 2024 is already approximately 50.6% for the six months ended 30 June 2024 and the Company sees a need to revise the Existing Cap for the financial year of 2024. In other words, if the actual transaction amount for the second half of the year ending 31 December 2024 is expected to be in the similar amount as for the six months ended 30 June 2024 or more, the utilisation rate for the full year ending 31 December 2024 will exceed the Existing Cap for the year ending 31 December 2024 if it is not revised, and the Existing Cap must therefore be increased in order to accommodate the higher estimated transaction amount for the year ending 31 December 2024. As explained in further detail below, the Company expects that the actual transaction amount for the six months ending 31 December 2024 will be more than that for the six months ended 30 June 2024 and accordingly, proposes to increase the Existing Cap for the year ending 31 December 2024 to RMB23,101,000,000.

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According to the Letter from the Board, the sales volume of heavy duty trucks by CNHTC has continued to rank first within the industry, and the sales volume of heavy duty trucks had shown substantive increase in the first half of 2024 as compared to that in the corresponding period in 2023. Since 2023, the domestic price for natural gas remained low, and this has prompted the market's high demand in gas engines, being an area deeply cultivated by the Group for many years. With the Group's competitive edge in such products, coupled with the strengthening synergy effect of the CNHTC's development strategies, the Company expects that there will be a further increase in the sales volume of gas engines and diesel engines by the Group to the CNHTC Group in 2024.

In light of the above, given that the Existing Cap for the year ending 31 December 2024 had already been utilised as to approximately 50.6% by the end of June 2024, the Company estimates that the Existing Cap for this Continuing Connected Transaction will be insufficient in view of the expected increase in sales volume of the relevant products. Accordingly, based on the Group's adjusted sales plan prepared based on the latest market development and on the assumption that the abovementioned trend of growth would continue throughout 2024, it is considered that the annual cap for the year ending 31 December 2024 be adjusted upwards by approximately 16.9% to the Revised Cap of RMB23,101 million from the Existing Cap of RMB19,758 million for the year ending 31 December 2024. In addition, the Company estimates that the transaction amount in respect of the Continuing Connected Transaction set out in this sub-section for the two years ending 31 December 2026 will not exceed RMB26,046 million and RMB28,916 million, respectively, and such amounts have accordingly been set as the proposed New Caps for the two years ending 31 December 2026 for this Continuing Connected Transaction.

We have discussed with the Company and understand that the above proposed Revised Cap for the year ending 31 December 2024 and the proposed New Caps for the two years ending 31 December 2026 have been estimated by the Company primarily based on (i) the relevant historical transaction amounts, (ii) the estimate increase in the number of products required by the CNHTC Group in view of the implementation of the Group's sales plan for the three years ending 2026, 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, (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the sale of relevant products and services by the Group to the CNHTC Group for the manufacturing of vehicles by the CNHTC Group. Given the track record of the Group being able to constantly supply products and services of reliable quality to the CNHTC Group, a closer cooperation between the Group and the CNHTC Group has been developed since the beginning of year 2021, further boosting the CNHTC Group's demand for the Group's products and services; (iv) the fact that since 2023, the domestic price for natural gas remained low, and the obvious difference between the price of natural gas and the price of petroleum has prompted a high demand in gas engines, resulting in a thriving market for heavy duty truck gas engines; and (v) a buffer in preparation of possible market fluctuations.

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Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of products and services by the Group to the CNHTC Group will increase by approximately 16.9% for the year ending 31 December 2024 as compared with the Existing Cap for the same year, and further by approximately 12.7% and 11.0% for each of the years ending 31 December 2025 and 31 December 2026, respectively.

The table below sets out the proposed Revised Cap and New Caps for the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2026:

	2024	2025	2026
	RMB	RMB	RMB
Proposed Revised Cap and New Cap	23,101,000,000	26,046,000,000	28,916,000,000
Approximate change in the cap year-on-year (%)	16.9 (Note)	12.7	11.0

*Note: The approximate change in the cap year-on-year for 2024 represents the percentage change from Existing Cap for 2024.*

Having considered the above reasons, in particular the high utilisation rate for the six months ended 30 June 2024 of approximately 50.6% and the expected increase in the number of products and unit prices of the sale of products and services to the CNHTC Group, as supported by the significant growth in the sales volume of heavy duty trucks in the first half of 2024 and the estimated rise in the demand for products required by the CNHTC Group after reviewing the Group's sales plan for the three years ending 2026, and our assessment above that if the actual transaction amount for the second half of the year ending 31 December 2024 is expected to be in the similar amount as for the six months ended 30 June 2024 or more, the utilisation rate for the full year ending 31 December 2024 will exceed the Existing Cap for the year ending 31 December 2024 if it is not revised, we consider that the proposed Revised Cap and New Caps, including the proposed percentage increase of approximately 16.9% of the Existing Cap for the year ending 31 December 2024 and the proposed increase of approximately 12.7% and 11.0% for the two years ending 31 December 2026 respectively, are fair and reasonable.

**2. Continuing Connected Transactions between Weichai Combustion and the Group**

*Weichai Combustion*

Weichai Combustion (formerly known as 潍柴西港新能源動力有限公司 (Weichai Westport Inc.)) 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

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Combustion is held as to 74.33% by Weichai Holdings, a substantial Shareholder of the Company and hence, it is also ultimately governed and controlled by the Shandong Provincial People's Government (山東省人民政府). Accordingly, Weichai Combustion is a connected person of the Company.

*Purchase of gas engines, gas engine parts and related products and receipt of labour and related services by the Company (and its subsidiaries) from Weichai Combustion*

Agreement:	Supplemental Agreement to the Weichai Westport Purchase Agreement
Date:	22 August 2024
Parties:	1. The Company 2. Weichai Combustion
Term:	1 January 2024 to 31 December 2026

Due to operational needs of the Group, the Company expects that the Existing Caps for the three years ending 31 December 2026 under the Weichai Westport Purchase Agreement will be insufficient. The Company therefore entered into the Supplemental Agreement to the Weichai Westport Purchase Agreement, to revise the Existing Caps to the Revised Caps for the three years ending 31 December 2026.

Save for the said revision of Existing Caps to the Revised Caps, all other material terms of the Weichai Westport Purchase Agreement remain unchanged.

Pursuant to the Weichai Westport Purchase Agreement (as supplemented by the relevant Supplemental Agreement), the Company and its subsidiaries shall purchase certain gas engines, gas engine parts and related products and receive labour and related services from Weichai Combustion, at market prices and/or prices agreed according to the principle of fairness and reasonableness, for a term of three years ending 31 December 2026. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products and/or services shall, as the case maybe, be settled on a monthly or quarterly basis or in accordance with the progress of the provision of the relevant products and/or services. Upon the expiry of the term of the agreement, the parties may extend the term for three years on a mutually agreed basis.

The price of the said products and services is determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company shall regularly carry out market research and analysis, 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

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of major competitors in the market). The final price shall be determined based on arm's length negotiations between the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would review the reasonableness of the price on a regular basis and make adjustments where necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

We have reviewed the 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 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. We observed from the monthly report that the Company has kept abreast of the market environment in respect of recent macro-economic data, industry data and government policies which may have an impact on the industry as a whole and factors which may affect the cost of production and demand for the different product lines of the Company. Also, we have reviewed the monthly monitoring report on the accumulated annual transaction amount of the Continuing Connected Transactions prepared by the Group's finance department, which compared such accumulated annual transaction amount of each Continuing Connected Transaction against the respective pre-approved cap. We note that if any accumulated annual transaction amount of any such Continuing Connected Transaction exceeds 70% of the pre-approved annual cap, the relevant Continuing Connected Transaction shall be reported to the Company's capital operations department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. On the basis of the above, we are of the view that (i) the Group's internal control measures in place as stated above are effective; and (ii) such internal control measures have ensured the terms of the Continuing Connected Transactions will be no less favourable than those entered into between the Group and the independent third parties.

In addition, we have reviewed two samples of transactions selected from the transactions conducted with the Company's related party, of which the selection criteria is being selected by the Company on a random basis, to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the selected sample size is adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties. In this respect, we note that the Company's independent non-executive Directors, the internal audit team and the auditors of the Company review the transactions in

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relation to the Continuing Connected Transactions on an annual basis. Accordingly, we are of the view 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 the Company's internal control measures are able to ensure that the Continuing Connected Transactions are made on terms no less favourable to the Group as compared to those available to independent third parties.

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 on terms no less favourable to the Group than those available from independent third parties, and thus not prejudicial to the interests of the Company and the minority Shareholders, and we concur that such methods and procedures will ensure that the Company will obtain terms, including market prices, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2026 for the Continuing Connected Transaction set out in this sub-section:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	4,644,000,000	4,656,000,000	4,704,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the Continuing Connected Transaction set out in this sub-section and the relevant utilisation rates of each of the relevant Existing Caps:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	810,590,661	4,704,195,346	2,706,705,895
Approximate utilisation rate (%)	12.8	62.1	58.3

As at the Latest Practicable Date, the actual transaction amount for the transactions contemplated under the Weichai Westport Purchase Agreement has not exceeded its Existing Cap for the year ending 31 December 2024.

As illustrated in the table above, the utilisation rate for the year ending 31 December 2024 is already approximately 58.3% for the six months ended 30 June

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2024 and the Company sees a need to revise the Existing Cap for the financial year of 2024. In other words, if the actual transaction amount for the second half of the year ending 31 December 2024 is expected to be in the similar amount as for the six months ended 30 June 2024 or more, the utilisation rate for the full year ending 31 December 2024 will exceed the Existing Cap for the year ending 31 December 2024 if it is not revised, and the Existing Cap must therefore be increased in order to accommodate the higher estimated transaction amount for the year ending 31 December 2024. As explained in further detail below, the Company expects that the actual transaction amount for the six months ending 31 December 2024 will be more than that for the six months ended 30 June 2024 and accordingly, proposes to increase the Existing Cap for the year ending 31 December 2024 to RMB6,238,000,000.

We have discussed with the Company and understand that, since 2023, the domestic price for natural gas remained low, and the obvious difference between the price of natural gas and the price of petroleum has prompted a high demand in gas engines, resulting in a thriving market for heavy duty truck gas engines. The gas engine market has been an area deeply cultivated by the Group for many years, and with the Group's competitive edge in such products, it is expected that such trend on the increase in the sales volume of gas engines by the Group will continue in 2024. Accordingly, it is expected that there will be a further demand for gas engine and the relevant parts from Weichai Combustion in the production of gas engines by the Group in 2024.

In light of the above, given that the Existing Cap for the year ending 31 December 2024 has been utilised as to approximately 58.3% by the end of June 2024, the Company estimates that the Existing Caps for this Continuing Connected Transaction will be insufficient.

Based on the above expected increase in demand for Weichai Combustion's products by the Group, it is considered that the Revised Cap for the year ending 31 December 2024 be adjusted upwards, by approximately 34.3%, to RMB6,238,000,000 from the Existing Cap of RMB4,644,000,000 for the year ending 31 December 2024 to reflect the latest development trend. Further, 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 from Weichai Combustion on an annual basis will increase by approximately 10.0% and 9.8% for each of the two years ending 31 December 2026, respectively, and accordingly, RMB6,860,000,000 and RMB7,535,000,000 have been set as the Revised Caps for the two years ending 31 December 2026 for this Continuing Connected Transaction.

The table below summarises the proposed Revised Caps for the Continuing Connected Transaction as set out in this sub-section for the three years ending 31 December 2026:

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	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed Revised Cap	6,238,000,000	6,860,000,000	7,535,000,000
Approximate change in the cap year-on-year (%)	34.3 ( <i>Note</i> )	10.0	9.8

*Note: The approximate change in the cap year-on-year for 2024 represents the percentage change from Existing Cap for 2024.*

Having considered the above reasons, in particular the high utilisation rate for the six months ended 30 June 2024 of approximately 58.3% and the expected high demand for gas engines, as supported by the market research conducted by the Group on the price of natural gas and the price of petroleum which has prompted a high demand in gas engines and the estimated further rise in demand for gas engine and the relevant parts from Weichai Combustion in the production of gas engines by the Group after reviewing the Group's business plan, and our assessment above that if the actual transaction amount for the second half of the year ending 31 December 2024 is expected to be in the similar amount as for the six months ended 30 June 2024 or more, the utilisation rate for the full year ending 31 December 2024 will exceed the Existing Cap for the year ending 31 December 2024 if it is not revised, we consider that the proposed Revised Caps, including the proposed percentage increase of approximately 34.3% of the Existing Cap for the year ending 31 December 2024 and the proposed increase of approximately 10.0% and 9.8% for the two years ending 31 December 2026 respectively, are fair and reasonable.

**D. Renewal of Existing Framework Agreements**

The renewal of Existing Framework Agreements include the following which are Non-exempt Continuing Connected Transactions:

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

*Weichai Heavy Machinery*

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 Heavy Machinery is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000880) and its single largest shareholder, Weichai Holdings, holds approximately 30.59% of its issued shares. 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, which is in turn one of the leading automobile and equipment groups in the PRC, and (ii) Shandong Heavy Industry is ultimately governed and controlled by the Shandong Provincial People's Government.



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

- (a) *Sale of diesel engines and related products and raw materials, and provision of labour and technical related services, etc. by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)*

The Existing Weichai Heavy Machinery Sale and Supply Agreements which govern certain continuing connected transactions in respect of sale of certain products and services by the Group to the Weichai Heavy Machinery Group shall expire by the end of 31 December 2024, and the Company intends to continue to carry out such continuing connected transactions following expiry of the Existing Weichai Heavy Machinery Sale and Supply Agreements.

Following a recent review by the Company of the relevant transactions governed under the Existing Weichai Heavy Machinery Sale and Supply Agreements, whilst the Group intends to continue the existing Continuing Connected Transactions with the Weichai Heavy Machinery Group following the expiry of the Existing Weichai Heavy Machinery Sale and Supply Agreements, considering that the Existing Weichai Heavy Machinery Sale and Supply Agreements both relate to the supply of products and/or services by the Group to the Weichai Heavy Machinery Group, the Board has resolved that, going forward, the transactions regulated under the Existing Weichai Heavy Machinery Sale and Supply Agreements shall be combined into one framework agreement, such that the Shareholders could be presented with a more streamlined view of the continuing connected transactions involving the Group's sale of products and/or services to the Weichai Heavy Machinery Group and, in turn, enable the Shareholders to better appreciate the extent of the Group's supply of products and/or services to the Weichai Heavy Machinery Group on an aggregated basis.

Accordingly, on 22 August 2024, the Company (for itself and on behalf of its subsidiaries) and Weichai Heavy Machinery (for itself and on behalf of the Weichai Heavy Machinery Group) entered into the New Weichai Heavy Machinery Supply Agreement on terms substantially the same as those of the Existing Weichai Heavy Machinery Sale and Supply Agreements (on a combined basis).

The principal terms of the New Weichai Heavy Machinery Supply Agreement and the transactions contemplated thereunder are as follows:

Agreement:	New Weichai Heavy Machinery Supply Agreement
Date:	22 August 2024
Parties:	1. The Company 2. Weichai Heavy Machinery
Term:	1 January 2025 to 31 December 2027

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Pursuant to the New Weichai Heavy Machinery Supply Agreement, the Company (and/or other Group Company) (as the case may be) shall sell to the Weichai Heavy Machinery Group diesel engines and related products and raw materials, and provide labour and technical related services, etc. (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. The relevant products are expected to mainly comprise engines and oil products, whereas the relevant services are expected to mainly comprise technical support, warehousing and logistic services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services supplied to independent third party customers: the marketing department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those offered to independent third parties.

We have reviewed the 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 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. We observed from the monthly report that the Company has kept abreast of the market environment in respect of recent macro-economic data, industry data and government policies which may have an impact on the industry as a whole and factors which may affect the cost of production and demand for the different product lines of the Company. Also, we have reviewed the monthly monitoring report on the accumulated annual transaction amount of the Continuing Connected Transactions prepared by the Group's finance department, which compared such accumulated annual transaction amount of each Continuing Connected Transaction against the respective pre-approved cap. We note that if any accumulated annual transaction amount of any such Continuing Connected Transaction exceeds 70% of the pre-approved annual cap, the relevant Continuing Connected Transaction shall be reported to the

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Company's capital operations department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. On the basis of the above, we are of the view that (i) the Group's internal control measures in place as stated above are effective; and (ii) such internal control measures have ensured the terms of the Continuing Connected Transactions will be no less favourable than those entered into between the Group and the independent third parties.

In addition, we have reviewed two samples of transactions selected from the transactions conducted with the Company's related party, of which the selection criteria is being selected by the Company on a random basis, to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the selected sample size is adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties. In this respect, we note that the Company's independent non-executive Directors, the internal audit team and the auditors of the Company review the transactions in relation to the Continuing Connected Transactions on an annual basis. Accordingly, we are of the view 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 the Company's internal control measures are able to ensure that the Continuing Connected Transactions are made on terms no less favourable to the Group as compared to those available to independent third parties.

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 on terms no less favourable to the Group than those available to independent third parties, and thus 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 prices, which are on normal commercial terms or better.

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The table below summarises the Existing Caps for the three years ending 31 December 2024 for the transactions contemplated under the Existing Weichai Heavy Machinery Sale and Supply Agreements:

	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps:			
(a) under the Existing Weichai Heavy Machinery Sale Agreement	900,000,000	1,060,000,000	1,200,000,000
(b) under the Existing Weichai Heavy Machinery Supply Agreement	200,000,000	210,000,000	240,000,000
On an aggregated basis:	1,100,000,000	1,270,000,000	1,440,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the transactions contemplated under the Existing Weichai Heavy Machinery Sale and Supply Agreements and the relevant utilisation rates of each of the relevant Existing Caps on an aggregated basis:

	Year ended 31 December 2022 <i>RMB</i> ( <i>audited</i> )	Year ended 31 December 2023 <i>RMB</i> ( <i>audited</i> )	Six months ended 30 June 2024 <i>RMB</i> ( <i>unaudited</i> )
Actual transaction amount:			
(a) under the Existing Weichai Heavy Machinery Sale Agreement	846,600,282	928,097,124	478,760,772
(b) under the Existing Weichai Heavy Machinery Supply Agreement	70,739,256	194,911,448	77,798,926
On an aggregated basis:	917,339,538	1,123,008,572	556,559,698
Approximate utilisation rate (%)	83.4	88.4	38.6

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As mentioned above, going forward, the transactions regulated under the Existing Weichai Heavy Machinery Sale and Supply Agreements shall be combined into one framework agreement, and we will only consider the utilisation rate on an aggregated basis. As shown above, the utilisation rates for the two years ended 31 December 2022 and 2023 were relatively high at approximately 83.4% and 88.4% respectively and the utilisation rate for the six months ended 30 June 2024 was approximately 38.6% on an aggregated basis. As explained in further detail below, according to the Company's estimation, the Existing Cap for the year ending 31 December 2024 will be utilised as to approximately 90% based on the existing circumstances of the Group's sales and the expected development trend in the second half of 2024.

According to the Letter from the Board, the Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Group's diesel engines generally. With the proximity between the Company's production facilities and those of Weichai Heavy Machinery, and in view of the high quality and the competitiveness of the Company's engines, the Company believes that the Weichai Heavy Machinery Group will continue to purchase the Group's diesel engines for the manufacture of power generators and purchase the Group's semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products for the manufacture of its products, including medium-speed diesel engines and power generators. It is expected that in the foreseeable few years the Chinese economy will continue to steadily recover; in recent years, the relevant national departments issued certain policies including the Action Plan for Promoting Large-scale Equipment Renewals and Consumer Goods Trade-ins (《推動大規模設備更新和消費品以舊換新行動方案》), the Implementation Opinions on Accelerating Green and Smart Development of Ships for Inland Waterways (《關於加快內河船舶綠色智能發展的實施意見》), Five-year Action Plan for Accelerating the Building of a Nation with Strong Transportation (2023-2027) (《加快建設交通強國五年行動計劃(2023-2027年)》), the Action Plan for the Green Development of Shipbuilding Industry (2024-2030) (《船舶製造業綠色發展行動綱要(2024-2030年)》), driving the positive development of the national shipbuilding industry and showing a stable and positive development trend, and the domestic large diameter medium-speed engines has encountered new development opportunities. The aforesaid factors shall in turn drive the Weichai Heavy Machinery Group's demand for the Group's said products and services, and accordingly it is expected that there will be further expansion of the business cooperation between the Group and the Weichai Heavy Machinery.

The Company estimates that the transaction amount in respect of the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2027 will not exceed RMB1,500 million, RMB1,560 million and RMB1,620 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

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We have discussed with the Company and understand that the proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said diesel engine and related products, semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products required by the Weichai Heavy Machinery Group, and (iii) the average unit prices of the said diesel engine and related products, semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products. Taking into account and on the basis of all the aforesaid factors, as well as the estimation that the Existing Cap for the year ending 31 December 2024 will be utilised as to approximately 90% based on the existing circumstances of the Group's sales and the expected development trend in the second half of 2024, the New Cap for the year ending 31 December 2025 has been adjusted upwards by approximately 4.2% compared to the Existing Cap for the year ending 31 December 2024, and it is estimated that, comparing to each of the years ending 31 December 2025 and 2026, the overall transaction amounts for the said sale of products and services will further increase by approximately 4.0% and 3.8% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2027:

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,500,000,000	1,560,000,000	1,620,000,000
Approximate change in the cap year-on-year (%)	4.2	4.0	3.8

Having considered the above reasons, in particular, according to the Company's estimation, the expected high utilisation rate for the financial year ending 31 December 2024 of approximately 90% and the expected increase in the sales volume and unit price for diesel engine and related products, semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products, as supported by the relevant policies issued by national departments which drive the positive development of the national shipbuilding industry leading to the prediction of a stable and positive development trend, and the estimated rise in demand of Weichai Heavy Machinery Group for the Group's said products and services after reviewing the Group's business plan for the three years ending 31 December 2027, and our assessment above that the utilisation rates for the two years ended 31 December 2022 and 2023 were relatively high at approximately 83.4% and 88.4% respectively, we consider that the New Caps, including the proposed percentage increase of approximately 4.2% of the New Cap for the year ending 31 December 2025 and the proposed increase of approximately 4.0% and 3.8% for the two years ending 31 December 2027 respectively, are fair and reasonable.

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- (b) Purchase of diesel engines and related products and raw materials, and receipt of labour and technical related services, etc. by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)

Agreement: New Weichai Heavy Machinery Purchase Agreement

Date: 22 August 2024

Parties: 1. The Company  
2. Weichai Heavy Machinery

Term: 1 January 2025 to 31 December 2027

The terms of the New Weichai Heavy Machinery Purchase Agreement are substantially the same as those of the Existing Heavy Machinery Purchase Agreement.

Pursuant to the New Weichai Heavy Machinery Purchase Agreement, the Company, and/or other Group Company (as the case may be) shall purchase certain diesel engines and related products and raw materials, and receive related labour and technical services, etc. from the Weichai Heavy Machinery Group at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis. The relevant products are expected to mainly comprise ship engines, generators, semi-finished parts and components, whereas the relevant services are expected to mainly comprise technical support and labour services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said

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products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

We have reviewed the 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 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. We observed from the monthly report that the Company has kept abreast of the market environment in respect of recent macro-economic data, industry data and government policies which may have an impact on the industry as a whole and factors which may affect the cost of production and demand for the different product lines of the Company. Also, we have reviewed the monthly monitoring report on the accumulated annual transaction amount of the Continuing Connected Transactions prepared by the Group's finance department, which compared such accumulated annual transaction amount of each Continuing Connected Transaction against the respective pre-approved cap. We note that if any accumulated annual transaction amount of any such Continuing Connected Transaction exceeds 70% of the pre-approved annual cap, the relevant Continuing Connected Transaction shall be reported to the Company's capital operations department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. On the basis of the above, we are of the view that (i) the Group's internal control measures in place as stated above are effective; and (ii) such internal control measures have ensured the terms of the Continuing Connected Transactions will be no less favourable than those entered into between the Group and the independent third parties.

In addition, we have reviewed two samples of transactions selected from the transactions conducted with the Company's related party, of which the selection criteria is being selected by the Company on a random basis, to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the selected sample size is adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties. In this respect, we note that the Company's independent non-executive Directors, the internal audit team and the auditors of the Company review the transactions in relation to the Continuing Connected Transactions on an annual basis. Accordingly, we are of the view 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 the Company's internal control measures are able to ensure that the Continuing Connected Transactions are made on terms no less favourable to the Group as compared to those available to independent third parties.



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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 on terms no less favourable to the Group than those available from independent third parties, and thus 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 prices, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2024 for the Continuing Connected Transaction set out in this sub-section:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	1,320,000,000	1,500,000,000	1,750,000,000

The table below summarises the actual transaction amounts involved for the purchases and services for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) for the Continuing Connected Transaction set out in this sub-section and the relevant utilisation rates of each of the relevant Existing Caps:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	723,039,060	778,279,789	427,948,578
Approximate utilisation rate (%)	54.8	51.9	24.5

As illustrated above, the utilisation rates for the two years ended 31 December 2023 were only approximately 54.8% and 51.9% respectively and the utilisation rate for the six months ended 30 June 2024 was relatively low at approximately 24.5%.

In light of the above, the Company estimates that the aggregate transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section will not exceed RMB1,340 million, RMB1,510 million and RMB1,730 million for each of the three years ending 31 December 2027 and therefore such amount has accordingly been set as the New Caps for this Continuing Connected Transaction.

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In 2022 and 2023, the economic recovery was slower than expected. Affected by the weak performance of the heavy duty vehicle industry, the purchase by the Group from the Weichai Heavy Machinery Group was less than expected. However, in the first half of 2024, along with the improvement of economic conditions and the introduction of policies which resulted in the gradual release of demand, the favourable factors for industry development have increased, accordingly, it is expected that the heavy duty vehicle industry will rebound. This has been evidenced by the actual transaction amounts for the first half of 2024. The Company expects that the aforesaid transaction amounts in respect of the purchase of diesel engines and related products and raw materials and receipt of labour and technical related services by the Group from Weichai Heavy Machinery Group will maintain steady increase for the three years ending 31 December 2027.

The table below summarises the New Caps for the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2027:

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,340,000,000	1,510,000,000	1,730,000,000
Approximate change in the cap year-on-year (%)	-23.4	12.7	14.6

We have discussed with the Company and understand that the above 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 and in view of the implementation of the Group's procurement plan for the years 2025 to 2027, and (iii) the increase in the market prices of the relevant diesel engines and related products and the costs of labour and technical services to be purchased by the Group. Taking into account the relatively low utilisation rate of the Existing Caps, the New Cap for the year ending 31 December 2025 has been adjusted downwards by approximately 23.4% compared to the Existing Cap for the year ending 31 December 2024, and further, taking into account and on the basis of all the abovementioned factors, the overall transaction amounts for the said purchase of products and services will further increase by approximately 12.7% and 14.6% for each of the years ending 31 December 2026 and 31 December 2027 respectively, are fair and reasonable.

Due to the above reasons, including but not limited to the expected low utilisation rate, as stated in our assessment above that the utilisation rates for the two years ended 31 December 2022 and 2023 were only approximately 54.8% and 51.9% respectively, we agree that the New Caps, including the proposed cap for the year ending 31 December 2025 be reduced by approximately 23.4% to RMB1,340,000,000 from RMB1,750,000,000 for the year ending 31 December 2024, are fair and reasonable. Also, after reviewing the Group's procurement plan for the three years ending 31 December 2027, including the estimated future production

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volume and average unit prices of relevant diesel engine parts as stated in the above, we agree that the further increase in the proposed caps of approximately 12.7% and 14.6% for each of the years ending 31 December 2026 and 31 December 2027 respectively, are fair and reasonable.

**2. *Continuing Connected Transactions between CNHTC (and its Associates) and the Group***

*CNHTC*

CNHTC is a commercial vehicles manufacturer. It is a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government (山東省人民政府).

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.30% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. As Shandong Heavy Industry is a holder of 65% of the equity interest in CNHTC, CNHTC is an associate of Shandong Heavy Industry and, accordingly, a connected person of the Company.

*Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and receipt of relevant services, etc. by the Company (and its subsidiaries) from CNHTC (and its Associates)*

Agreement:	New CNHTC Purchase Agreement
Date:	22 August 2024
Parties:	1. The Company 2. CNHTC
Term:	1 January 2025 to 31 December 2027

The terms of the New CNHTC Purchase Agreement are substantially the same as those of the Existing CNHTC Purchase Agreement.

Pursuant to the New CNHTC Purchase Agreement, the CNHTC Group shall supply certain vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services, etc. (as the case may be) to the Company and/or other Group Company (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2027, upon the expiry of which the parties shall have an option to renew the same for a period of three years

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on a mutually agreed basis. The relevant products are expected to mainly comprise vehicle compartments, fuel injectors and complete vehicles, whereas the relevant services are expected to mainly comprise warehousing and logistics services related to such products.

The price of the said products and/or services shall be determined according to the following mechanism, which is the same applied to products and services procured from independent third party suppliers: the procurement department of the Company regularly conducts market research and analysis regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. In addition, the Company has established a specialised price management department which undertakes price comparison exercises in accordance with the price management workflow adopted by the Company. Given that the price management department of the Company would regularly review the reasonableness of prices and make amendments when necessary, the Group is able to ensure that the prices of the said products and/or services are fair and reasonable and no less favourable than those procured from independent third parties.

We have reviewed the 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 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. We observed from the monthly report that the Company has kept abreast of the market environment in respect of recent macro-economic data, industry data and government policies which may have an impact on the industry as a whole and factors which may affect the cost of production and demand for the different product lines of the Company. Also, we have reviewed the monthly monitoring report on the accumulated annual transaction amount of the Continuing Connected Transactions prepared by the Group's finance department, which compared such accumulated annual transaction amount of each Continuing Connected Transaction against the respective pre-approved cap. We note that if any accumulated annual transaction amount of any such Continuing Connected Transaction exceeds 70% of the pre-approved annual cap, the relevant Continuing Connected Transaction shall be reported to the Company's capital operations department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. On the basis of the above, we are of the view that (i) the Group's internal control measures in place as stated above are effective; and (ii) such internal control measures have ensured the terms of the Continuing Connected Transactions will be no less favourable than those entered into between the Group and the independent third parties.

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In addition, we have reviewed two samples of transactions selected from the transactions conducted with the Company's related party, of which the selection criteria is being selected by the Company on a random basis, to confirm that the relevant transaction prices were at or better than normal commercial terms offered to independent third parties. We consider that the selected sample size is adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties. In this respect, we note that the Company's independent non-executive Directors, the internal audit team and the auditors of the Company review the transactions in relation to the Continuing Connected Transactions on an annual basis. Accordingly, we are of the view 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 the Company's internal control measures are able to ensure that the Continuing Connected Transactions are made on terms no less favourable to the Group as compared to those available to independent third parties.

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 on terms no less favourable to the Group than those available from independent third parties, and thus 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 prices, which are on normal commercial terms or better.

The table below summarises the Existing Caps for the three years ending 31 December 2024 for the Continuing Connected Transaction set out in this sub-section:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	617,000,000	847,000,000	1,083,000,000

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The table below summarises the actual transaction amounts involved for the two years ended 31 December 2023 (audited) and the six months ended 30 June 2024 (unaudited) in respect of the Group's purchase of relevant products and services from the CNHTC Group and the relevant utilisation rates of each of the relevant Existing Caps:

	<b>For the year ended 31 December 2022 RMB (audited)</b>	<b>For the year ended 31 December 2023 RMB (audited)</b>	<b>For the six months ended 30 June 2024 RMB (unaudited)</b>
Actual transaction amount	320,062,740	740,678,752	347,170,225
Approximate utilisation rate (%)	51.9	87.4	32.1

As illustrated above, the utilisation rates for the two years ended 31 December 2023 were approximately 51.9% and 87.4% respectively and the utilisation rate for the six months ended 30 June 2024 was relatively low at approximately 32.1%. As explained in further detail below, according to the Company's estimation, the Existing Cap for the year ending 31 December 2024 will be utilised as to approximately 74% based on the existing circumstances of the Group's procurement and the expected development trend in the second half of 2024.

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2027 will not exceed RMB845 million, RMB894 million and RMB952 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

We have discussed with the Company and understand that the above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) its estimate of an increase in transaction volume of the said purchases in view of the implementation of the Group's sales plan for the years 2025 to 2027, which in turn is based on the estimated production volume, material cost, processing cost and the volume of diesel engines to be sold and exported, (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the supply of relevant products and services by the CNHTC Group to the Group for the processing and manufacturing of vehicles and vehicle engines, and (iv) the increased demands from customers of the Group requesting for the installation of vehicle parts and components and engines from the CNHTC Group, and the Group's anticipated adjustment in replacing third party suppliers with the CNHTC Group in order to meet with such demands. Given the track record of CNHTC Group being able to constantly supply products and services of reliable quality to the Group, it is expected the Group will undertake

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closer cooperation with the CNHTC Group. Although the utilisation rate of the Existing Cap for the year ended 31 December 2022 was relatively low mainly due to an unexpected change of the then market circumstances, it is estimated that the Existing Cap for the year ending 31 December 2024 will be utilised as to approximately 74% based on the existing circumstances of the Group's procurement and expected development trend in the second half of 2024, and the said further cooperation is expected to bring synergy effect to both the Group and the CNHTC Group and accordingly will bring more businesses and source of revenue for the Group.

The table below sets out the proposed New Caps for the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2027:

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Caps	845,000,000	894,000,000	952,000,000
Approximate change in the cap year-on-year (%)	-22.0	5.8	6.5

Taking into account the relatively low utilisation rate of the Existing Caps and on the basis of all the aforesaid factors, the New Cap for the year ending 31 December 2025 has been adjusted downwards by approximately 22.0% compared to the Existing Cap for the year ending 31 December 2024, and it is estimated that, comparing to each of the years ending 31 December 2025 and 2026, the overall transaction amounts for the said purchase of products and services will further increase by approximately 5.8% and 6.5% for each of the years ending 31 December 2026 and 31 December 2027, respectively.

Due to the above reasons, including but not limited to the expected utilisation rate of approximately 74% for the year ending 31 December 2024, which is based on the existing circumstances of the Group's procurement and expected development trend in the second half of 2024 as stated above, we agree that the New Caps, including the proposed cap for the year ending 31 December 2025 be reduced by approximately 22.0% to RMB845,000,000 from RMB1,083,000,000 for the year ending 31 December 2024, are fair and reasonable. Also, after reviewing the sales plan of the Group for the three years ending 31 December 2027, including the estimated increase in the transaction volume of the said purchases which in turn is based on the estimated production volume, material cost, processing cost and the volume of diesel engines to be sold and exported as stated above, we agree that the further increase of approximately 5.8% and 6.5% in the proposed caps for each of the years ending 31 December 2026 and 31 December 2027 respectively, are fair and reasonable.

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**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 Non-exempt Continuing Connected Transactions are as follows:

**1. *Continuing Connected Transactions between 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 such 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 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 Weichai Heavy Machinery Group for many years and the Company has built up a long term strategic and solid business relationship with the Weichai Heavy Machinery Group, the Board considers it beneficial to the Company to continue to conduct such Continuing Connected Transactions in order to ensure and maximize operating efficiency and stability of the operations of the Company. The Board is not aware of any disadvantage to the Group in continuing to conduct such Continuing Connected Transactions.

**2. *Continuing Connected Transactions between CNHTC (and its Associates) and the Group***

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines and CNHTC is a commercial vehicles manufacturer. Leveraging on the existing business relationship between the Group and the CNHTC Group, the Board considers that such Continuing Connected Transactions will allow the Group to maintain a strong strategic and business relationship with the CNHTC Group, thereby generating synergy potential and mutual economic benefits between the Group and the CNHTC Group.



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In respect of the Continuing Connected Transactions between the Group and the CNHTC Group, the Board is of the view that the purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services from the CNHTC Group will enable the Group to secure a stable and reliable supply of quality products and services from the CNHTC Group which will, in turn, further support the increase of the overall sale volumes of the products of the Group. The sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services to the CNHTC Group will also provide a secure source of revenue for the Group and contribute to the implementation of the Group's sales plan.

**3. *Continuing Connected Transactions between Weichai Combustion and the Group***

In respect of the Continuing Connected Transaction between the Group and Weichai Combustion, the Board is of the view that the purchase of gas engines, gas engine parts and receipt of labour services and related products and services from Weichai Combustion, 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 Combustion, thereby generating synergy potential and mutual economic benefits between the Group and Weichai Combustion. The Board considers that the revision of annual caps for such Continuing Connected Transaction pursuant to the Supplemental Agreement will continue to provide the Group with a stable and reliable supply of quality gas engines from Weichai Combustion instead of sourcing from other market suppliers, which, is expected to maintain a stable production of the Group's products and, in turn, contribute to the Group's generation of income.

The Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected 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. Accordingly, the Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser in respect of the Non-exempt Continuing Connected Transactions) are of the view that all the Continuing Connected Transactions, and the relevant proposed Revised Caps and 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 for and benefits of the Continuing Connected Transactions, we consider that the Supplemental Agreements and the New Framework Agreements in respect of the Non-exempt Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better, 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 and to obtain a secure source of revenue and potential synergistic benefits to be beneficial to the Company and the Independent Shareholders as a whole.

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**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 Revised Caps and New Caps are on normal commercial terms or better, in the ordinary and usual course of business of the Company, 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 resolution(s) to approve the Supplemental Agreements and New Framework Agreements in respect of the Non-exempt Continuing Connected Transactions and the relevant Revised Caps and 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
Zhang Quan	Beneficial owner	13,684,324 (Note 1)	–	0.16%
Wang Decheng	Beneficial owner	800,000	–	0.01%
Sun Shaojun	Beneficial owner	13,684,324 (Note 1)	–	0.16%
Yuan Hongming	Beneficial owner	1,000,440	–	0.011%
	Interest held by spouse	<u>444</u>	–	<u>0.000005%</u>
		<u>1,000,884</u>	–	<u>0.011%</u>

#### 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 8,726,556,821 issued shares of the Company as at the Latest Practicable Date (comprising 6,783,516,821 A Shares and 1,943,040,000 H Shares).

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

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Richard Robinson Smith	KION Group AG ("KION")	Beneficial owner	50,000 ordinary shares	0.04%

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

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

Name	Capacity	Long/Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	1,422,550,620	20.97%	-	-	16.30%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,422,550,620	20.97%	-	-	16.30%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	-	-	78,578,612	16.18%	3.60%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	-	-	23,707,500	5.86%	1.30%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	-	-	525,552	0.11%	0.02%
	Interest of corporation controlled by you	Long	-	-	25,453,050	5.24%	1.17%
					<u>25,978,602</u>	<u>5.35%</u>	<u>1.19%</u>
	Interest of corporation controlled by you	Short	-	-	24,102,475	4.96%	1.10%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	-	-	49,335,508	5.08%	1.13%
	Interest of corporation controlled by you	Short	-	-	42,078,545	4.33%	0.96%
Pzena Investment Management, LLC	Investment manager	Long	-	-	195,539,872	10.06%	2.25%
	Beneficial owner	Long	-	-	382,318	0.02%	0.00%
			<u>-</u>	<u>-</u>	<u>195,922,190</u>	<u>10.08%</u>	<u>2.25%</u>

Name	Capacity	Long/Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
JPMorgan Chase & Co.	Beneficial owner	Long	-	-	32,808,276	1.69%	0.38%
	Investment manager	Long	-	-	37,212,145	1.92%	0.43%
	Person having a security interest in shares	Long	-	-	5,286,842	0.27%	0.06%
	Approved lending agent	Long	-	-	59,733,315	3.07%	0.68%
			<u>-</u>	<u>-</u>	<u>135,040,578</u>	<u>6.95%</u>	<u>1.55%</u>
	Interest of corporation controlled by you	Short	-	-	20,378,884	1.04%	0.23%
BlackRock, Inc	Interest of corporation controlled by you	Long	-	-	118,564,341	6.10%	1.36%
	Interest of corporation controlled by you	Short	-	-	2,437,000	0.13%	0.03%
Lazard Asset Management LLC	Investment manager	Long	-	-	97,282,596	5.01%	1.11%

*Notes:*

1. Shandong Heavy Industry Group Co., Ltd., being a subsidiary of the State-owned Assets Supervision and Administration Commission of Shandong Province, held the entire share capital of Weichai Group Holdings Limited (formerly known as Weifang Diesel Engine Works).
2. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
3. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 and 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
4. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017, 20 August 2015 and 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

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

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

<b>Name of Director</b>	<b>Positions held in Weichai Holdings</b>	<b>Positions held in Shandong Heavy Industry</b>
Ma Changhai	Chairman and general manager	Deputy general manager
Wang Decheng	Vice-chairman	–
Sun Shaojun	Director and deputy general manager	–

### 3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) None of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2023, 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 2023, 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 2023, 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:

<b>Name</b>	<b>Qualification</b>
Trinity Corporate Finance Limited	A corporation licensed to carry on regulated activity type 6 (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 31 October 2024 and was made by the Independent Financial Adviser for incorporation in this circular.

#### 6. GENERAL

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

#### 7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.weichai.com>) from the date of this circular up to and including the date of EGM.

- (a) the Supplemental Agreements;
- (b) the Existing CNHTC Supply Agreement and the Weichai Westport Purchase Agreement;



- (c) the New Framework Agreements;
- (d) the letter from the Independent Board Committee, the text of which is set out in the circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in the circular; and
- (f) the written consent from the expert referred to in the paragraph headed “5. Experts” in this appendix.



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 22 November 2024 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 31 October 2024, of which this notice forms part (the “Circular”) shall have the same meaning when used herein.

**AS ORDINARY RESOLUTIONS**

1. “**THAT** the New Weichai Heavy Machinery Supply Agreement dated 22 August 2024 referred to in the section headed “IV. Renewal of Existing Continuing Connected Transactions – 1. Continuing Connected Transactions between Weichai Heavy Machinery (and its subsidiaries) and the Group – (a) Sale of diesel engines and related products and raw materials, and provision of labour and technical related services, etc. by the Company (and its subsidiaries) to 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 1)*
2. “**THAT** the New Weichai Heavy Machinery Purchase Agreement dated 22 August 2024 referred to in the section headed “IV. Renewal of Existing Continuing Connected Transactions – 1. Continuing Connected Transactions between Weichai Heavy Machinery (and its subsidiaries) and the Group – (b) Purchase of diesel engines and related products and raw materials, and receipt of labour and technical related services, etc. 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 1)*
3. “**THAT** the New Fast Transmission Sale Agreement dated 22 August 2024 referred to in the section headed “VI. PRC Continuing Connected Transactions – (a) Sale of parts and components of transmissions and related products and provision of labour services, etc. by the Company (and its subsidiaries) to Fast Transmission (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)*

## NOTICE OF EGM

4. “**THAT** the New Fast Transmission Purchase Agreement dated 22 August 2024 referred to in the section headed “VI. PRC Continuing Connected Transactions – (b) Purchase of parts and components of transmissions and related products and receipt of labour services, etc. by the Company (and its subsidiaries) from Fast Transmission (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)*
5. “**THAT** the Supplemental Agreement to the Existing CNHTC Supply Agreement dated 22 August 2024 referred to in the section headed “III. Revision of annual caps of Existing Continuing Connected Transactions – 1. Continuing Connected Transactions between CNHTC (and its Associates) and the Group – Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and provision of relevant services by the Company (and its subsidiaries) to CNHTC (and its Associates)” in the “Letter from the Board” contained in the Circular and the relevant Revised Cap and New Caps (as defined in the Circular) be and are hereby approved.” *(Note 1)*
6. “**THAT** the New CNHTC Purchase Agreement dated 22 August 2024 referred to in the section headed “IV. Renewal of Existing Continuing Connected Transactions – 2. Continuing Connected Transactions between CNHTC (and its Associates) and the Group – Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and receipt of relevant services, etc. by the Company (and its subsidiaries) from CNHTC (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)*
7. “**THAT** the Supplemental Agreement to the Weichai Westport Purchase Agreement dated 22 August 2024 referred to in the section headed “III. Revision of annual caps of Existing Continuing Connected Transactions – 2. Continuing Connected Transactions between Weichai Combustion and the Group – Purchase of gas engines, gas engine parts and related products and receipt of labour and related services by the Company (and its subsidiaries) from Weichai Combustion” in the “Letter from the Board” contained in the Circular and the relevant Revised Caps (as defined in the Circular) be and are hereby approved.” *(Note 1)*

By Order of the Board of Directors  
**Weichai Power Co., Ltd.**  
**Ma Changhai**  
*Chairman*

Hong Kong, 31 October 2024

## 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 19 November 2024 to 22 November 2024 (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 22 November 2024 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 18 November 2024. 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) For holders of A Shares (being ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are traded in Renminbi and listed on the Shenzhen Stock Exchange (“**A Shares**”), please refer to the notice of the EGM published on the website of the Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.
- (F) A shareholder or his/her proxy should produce proof of identity when attending the EGM. If a corporate shareholder’s legal representative or any other person authorised by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative and the valid resolution or authorisation document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.
- (G) Any proposal to appoint any person to the office of director of the Company at the EGM shall be given in writing and, notice in writing by that person of his consent to be elected as director shall be, lodged at the registered office of the Company at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People’s Republic of China. The period for lodgement of such notices shall commence on (and include) the day after the date of this notice of the EGM and end on (and exclude) the date that is seven (7) days before the date of the EGM.
- (H) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
- (I) Weichai Holdings and its associates will abstain from voting at the EGM in respect of this resolution.

*As at the date of this notice, the executive Directors of the Company are Mr. Ma Changhai, Mr. Zhang Quan, Mr. Wang Decheng, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Ma Xuyao; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Richard Robinson Smith and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Ms. Jiang Yan, Mr. Chi Deqiang, Mr. Zhao Fuquan, Mr. Xu Bing and Mr. Tao Huaan.*