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## **SINOTRUK (HONG KONG) LIMITED**

**中國重汽(香港)有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 3808)**

### **(1) CONNECTED TRANSACTION — CAPITAL INCREASE AGREEMENT AND (2) TERMINATION OF CONTINUING CONNECTED TRANSACTIONS**

#### **THE CAPITAL INCREASE AGREEMENT**

Reference is made to the announcement of the Company dated 30 August 2017 in relation to the Prior Capital Increase Agreement.

On 1 March 2018, HOWO Auto Finance Company entered into the Capital Increase Agreement with the Company and Ji'nan Power, a wholly owned subsidiary of the Company, pursuant to which (i) the Prior Capital Increase Agreement was superseded; and (ii) the Company and Ji'nan Power agreed to make capital contributions of approximately RMB638.2 million and RMB319.1 million, respectively, to HOWO Auto Finance Company. Of the aforesaid capital contributions, RMB600 million and RMB300 million, respectively, will be contributed to the increase in the registered capital of HOWO Auto Finance Company, and the remaining amount will be contributed to its capital reserve.

As at the date of this announcement, the registered capital of HOWO Auto Finance Company is RMB500 million. Upon completion of the Capital Increase, the equity interest of the Group in HOWO Auto Finance Company will increase from 50% to approximately 82.15%.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, whilst HOWO Auto Finance Company's equity interest is held directly by the Company as to 50%, the majority of the board of directors of HOWO Auto Finance Company is appointed and controlled by the Company, and therefore HOWO Auto Finance Company is a non-wholly owned subsidiary of the Company. Given that CNHTC, the controlling shareholder of the Company, directly holds 20% of HOWO Auto Finance Company's equity interest as at the date of this announcement, HOWO Auto Finance Company is also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules.

Accordingly, the transaction contemplated under the Capital Increase Agreement constitute a connected transaction under Chapter 14A of the Listing Rules on the part of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the capital contribution by the Company and Ji'nan Power pursuant to the Capital Increase Agreement are more than 0.1% but all are less than 5%, the entering into of the Capital Increase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **TERMINATION OF CONTINUING CONNECTED TRANSACTIONS**

As HOWO Auto Finance Company will cease to be a connected subsidiary of the Company upon completion of the Capital Increase and the necessary applications for registration of changes with the relevant PRC authority, the Early Termination Agreements shall become effective and pursuant to which, the Terminated Agreements shall be terminated with effect from the date when HOWO Auto Finance Company ceased to be a connected subsidiary of the Company.

## **THE CAPITAL INCREASE AGREEMENT**

On 1 March 2018, HOWO Auto Finance Company entered into the Capital Increase Agreement with the Company and Ji'nan Power in relation to the Capital Increase. Details of the Capital Increase Agreement are set out below:

Date: 1 March 2018

Parties: (1) the Company;  
(2) Ji'nan Power; and  
(3) HOWO Auto Finance Company

HOWO Auto Finance Company is a non-wholly owned subsidiary of the Company, and Ji'nan Power is a wholly owned subsidiary of the Company.

### **Subject matter**

The Capital Increase Agreement has superseded the Prior Capital Increase Agreement. Pursuant to the Capital Increase Agreement, the Company and Ji'nan Power agreed to make capital contributions of approximately RMB638.2 million and RMB319.1 million, respectively, to HOWO Auto Finance Company. Of the aforesaid capital contributions, RMB600 million and RMB300 million, respectively, will be contributed to the increase in the registered capital of HOWO Auto Finance Company, and the remaining amount will be contributed to its capital reserve.

### **Conditions precedent**

The Capital Increase Agreement and the transaction contemplated thereunder shall be subject to the fulfillment of the following conditions precedent:

- (i) all parties to the Capital Increase Agreement having obtained all relevant necessary approval and authorisation from their relevant governing bodies including the board of directors and shareholders (if necessary); and
- (ii) the Capital Increase Agreement and the transaction contemplated thereunder having been approved by the relevant banking regulatory authority of the PRC.

If the above conditions precedent cannot be fulfilled within nine months from the date of the Capital Increase Agreement (or such later date as the parties to the Capital Increase Agreement may agree in writing), the Capital Increase Agreement shall be terminated accordingly and all parties thereto shall be released from the obligations therein.

### **Capital Increase**

Each of the Company and Ji'nan Power shall make their respective capital contribution in cash within three months from the date of fulfillment of all the above conditions precedent. After the capital contribution is made, HOWO Auto Finance Company will as soon as possible make the necessary applications for registration of changes with the relevant PRC authority, including the changes in its registered capital amount and shareholdings, its articles of association and business license. In the event that such applications cannot be completed within three months from the last date of the capital contribution made, the contributed amounts shall be refunded to the respective parties without interest and any other fees and the Capital Increase Agreement shall be terminated accordingly. It is expected that the payment for the capital contribution made by the Company and Ji'nan Power will be financed from the Group's internal resources.

As at the date of this announcement, the registered capital of HOWO Auto Finance Company is RMB500 million and is owned as to 50% by the Company, 30% by Shandong International Trust and 20% by CNHTC. Upon completion of the Capital Increase and the necessary applications for registration of changes with relevant PRC authority, Ji'nan Power and the Company will be interested in approximately 21.43% and approximately 60.72% of the equity interest in HOWO Auto Finance Company, respectively. As such, the equity interest of the Group in HOWO Auto Finance Company will increase from 50% to approximately 82.15% and HOWO Auto Finance Company will continue to be a non-wholly owned subsidiary of the Company. On the other hand, the equity interest of CNHTC in HOWO Auto Finance Company will decrease from 20% to approximately 7.14% upon completion of the Capital Increase. Accordingly, HOWO Auto Finance Company will cease to be a connected subsidiary of the Company. The equity interest of Shandong International Trust in HOWO Auto Finance Company will also decrease from 30% to approximately 10.71% upon completion of the Capital Increase.

The total amount of the capital contribution of approximately RMB957.2 million was determined based on arm's length negotiations among the parties to the Capital Increase Agreement with reference to, among other things, working capital currently available to HOWO Auto Finance Company and capital requirements for HOWO Auto Finance Company.

#### **Waiver of pre-emptive rights from other existing shareholders of HOWO Auto Finance Company**

CNHTC and Shandong International Trust, being the other existing shareholders of HOWO Auto Finance Company, have waived their pre-emptive rights to the Capital Increase (as applicable).

#### **REASONS FOR AND BENEFIT OF THE CAPITAL INCREASE AGREEMENT**

Reference is made to the announcement of the Company dated 30 August 2017 in relation to the Prior Capital Increase Agreement. Pursuant to the resolutions signed by all the directors of HOWO Auto Finance Company, the board of directors of HOWO Auto Finance Company has resolved to approve the Capital Increase Agreement, and not to proceed with the Prior Capital Increase Agreement or the relevant proposal due to strategic re-adjustments to the investment portfolio of CNHTC and the intention of the Group to increase its investment in HOWO Auto Finance Company. In order to meet the business and capital requirements of HOWO Auto Finance Company for its expansion, the Capital Increase Agreement was entered into to supersede the Prior Capital Increase Agreement. The Company believes that the entering into the Capital Increase Agreement is an expedient and direct method to provide additional capital to HOWO Auto Finance Company and provides the opportunities to Ji'nan Power to increase its investment and income sources.

The capital contribution to be made by the Company and Ji'nan Power under the Capital Increase Agreement will be used for the business operations of HOWO Auto Finance Company. The capital contribution can provide a larger capital base and hence more resources to support HOWO Auto Finance Company's auto financing operation and increase the liquidity of HOWO Auto Finance Company. In addition, it will help to boost the sales of commercial vehicles of the Group. As such, the Company believes that the transaction contemplated under the Capital Increase Agreement are in the interests of the Company and the Shareholders as a whole.

Mr. Wang Bozhi, the executive Director and the chairman of the Board who is also the chairman of CNHTC which has waived its pre-emptive right to the Capital Increase and therefore considered to have material interest in the Capital Increase Agreement and the transaction contemplated thereunder, has abstained from voting on the relevant Board resolutions approving the Capital Increase Agreement and the transaction contemplated thereunder. Save for Mr. Wang Bozhi, none of the other Directors has any material interest in the Capital Increase Agreement and the transaction contemplated thereunder who is required to abstain from voting on the relevant Board resolutions approving the Capital Increase Agreement and the transaction contemplated thereunder.

The Board (including the independent non-executive Directors but excluding Mr. Wang Bozhi) is of the view that the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON HOWO AUTO FINANCE COMPANY**

HOWO Auto Finance Company is an authorised non-bank financial institution established in the PRC with limited liability and is principally engaged in the automobile financing business in the PRC. As at the date of this announcement, it has a registered capital of RMB500 million and is a non-wholly owned subsidiary of the Company. Upon completion of the Capital Increase, the registered capital of HOWO Auto Finance Company will be increased from RMB500 million to RMB1,400 million.

The following table sets out the extract of the audited financial information of HOWO Auto Finance Company for the years ended 31 December 2015 and 2016 which were prepared under the PRC accounting standards:

	<b>For the year ended 31 December 2015 (RMB)</b>	<b>For the year ended 31 December 2016 (RMB)</b>
Net (loss)/profit before tax and extraordinary items	(771,877)	8,255,633
Net (loss)/profit after tax and extraordinary items	(622,078)	6,002,137

The audited net asset value of HOWO Auto Finance Company as at 31 December 2016 according to the PRC accounting standards was RMB507.5 million.

## **INFORMATION ON THE COMPANY, JI'NAN POWER AND THE GROUP**

The Company is principally engaged in investment holding and trading of trucks.

Ji'nan Power is a wholly owned subsidiary of the Company and is principally engaged in the manufacturing and production of engines.

The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks and light duty trucks and related key parts and components including engines, cabins, axles, steel frames and gearbox as well as the provision of financial services.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, whilst HOWO Auto Finance Company's equity interest is held directly by the Company as to 50%, the majority of the board of directors of HOWO Auto Finance Company is appointed and controlled by the Company, and therefore HOWO Auto Finance Company is a non-wholly owned subsidiary of the Company. Given that CNHTC, the controlling shareholder of the Company, directly holds 20% of HOWO Auto Finance Company's equity interest as at the date of this announcement, HOWO Auto Finance Company is also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules.

Accordingly, the transaction contemplated under the Capital Increase Agreement constitute a connected transaction under Chapter 14A of the Listing Rules on the part of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the the capital contribution by the Company and Ji'nan

Power pursuant to the Capital Increase Agreement are more than 0.1% but all are less than 5%, the entering into of the Capital Increase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **TERMINATION OF CONTINUING CONNECTED TRANSACTIONS**

References are made to the announcements of the Company dated 31 March 2016 and 30 August 2017, and the circular of the Company dated 26 May 2016, respectively in relation to, among others, the Terminated Agreements. As mentioned in the paragraph headed "The Capital Increase Agreement — Capital Increase" of this announcement, upon completion of the Capital Increase and the necessary applications for registration of changes with the relevant PRC authority, HOWO Auto Finance Company will cease to be a connected subsidiary of the Company. In view of the aforesaid and given the termination of the Prior Capital Increase Agreement, the Early Termination Agreements shall become effective and, pursuant to which, the Terminated Agreements shall be effective from the date when HOWO Auto Finance Company ceased to be a connected subsidiary of the Company. Neither party is required to pay any compensation or penalty to the other party in respect of the early termination of the Terminated Agreements.

## **DEFINITIONS**

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

"2018 HOWO Loan Agreement"	has the meaning given to it in the announcement of the Company dated 31 March 2016
"2018 Sinotruk Deposit Agreement"	has the meaning given to it in the announcement of the Company dated 31 March 2016
"2018 Sinotruk Guarantee Agreement"	has the meaning given to it in the announcement of the Company dated 31 March 2016
"Board"	the board of Directors
"Capital Increase"	an increase in the registered capital of HOWO Auto Finance Company pursuant to the Capital Increase Agreement



“Capital Increase Agreement”	the capital increase and equity subscription agreement entered into among HOWO Auto Finance Company, the Company and Ji’nan Power on 1 March 2018
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“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, being the controlling shareholder of the Company
“Ji’nan Power”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Company Limited*), a company established in PRC with limited liability and a wholly owned subsidiary of the Company
“Company”	Sinotruk (Hong Kong) Limited (中國重汽(香港)有限公司), a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Early Termination Agreements”	collectively, (i) the agreement entered into between HOWO Auto Finance Company and Sinotruk Finance Company on 30 August 2017 in relation to the termination of the 2018 HOWO Loan Agreement; (ii) the agreement entered into between HOWO Auto Finance Company and the Company on 30 August 2017 in relation to the termination of the 2018 Sinotruk Deposit Agreement; and (iii) the agreement entered into between HOWO Auto Finance Company and the Company on 30 August 2017 in relation to the termination of the 2018 Sinotruk Guarantee Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HOWO Auto Finance Company”	山東豪沃汽車金融有限公司 (Shandong HOWO Auto Finance Co., Ltd.*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prior Capital Increase Agreement”	has the meaning given to “Capital Increase Agreement” in the announcement of the Company dated 30 August 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Sinotruk Finance Company”	中國重汽財務有限公司 (Sinotruk Finance Co., Ltd.*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Shandong International Trust”	山東省國際信託股份有限公司 (Shandong International Trust Co., Ltd.), a company established in the PRC with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 01697)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terminated Agreements”	collectively, (i) 2018 HOWO Loan Agreement, (ii) 2018 Sinotruk Deposit Agreement and (iii) 2018 Sinotruk Guarantee Agreement
“%”	per cent

By Order of the Board  
**Sinotruk (Hong Kong) Limited**  
**Wang Bozhi**  
*Chairman*

Ji’nan, PRC, 1 March 2018

*As at the date of this announcement, the eight executive Directors are Mr. Wang Bozhi, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger; the three non-executive Directors are Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees and Mr. Matthias Gründler; and the six independent non-executive Directors are Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing.*

\* For identification purposes only.