

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

**中國重汽(香港)有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 3808)**

### **POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Announcements.

The Board is pleased to announce that, on 16 December 2019, the Company (for itself and on behalf of its subsidiaries) entered into the Master Agreements with Weichai Holdings (for itself and on behalf of its subsidiaries), pursuant to which the Group will (i) sell Parts For Sale to and (ii) purchase Parts For Purchase from the Weichai Group.

#### **LISTING RULES IMPLICATIONS**

Assuming Transfer Completion, SHIG together with its associate will be entitled to exercise 65% voting rights in the general meetings of CNHTC. As CNHTC is, and SHIG will become, the controlling shareholder of the Company and Weichai Holdings is wholly owned by SHIG, Weichai Holdings will become a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps under each of the Master Agreements exceed 0.1% but all of them are less than 5%, the Master Agreements and the transaction contemplated respectively thereunder are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the Announcements.

The Board is pleased to announce that, on 16 December 2019, the Company (for itself and on behalf of its subsidiaries) entered into the Master Agreements with Weichai Holdings (for itself and on behalf of its subsidiaries), pursuant to which the Group will (i) sell Parts For Sale to and (ii) purchase Parts For Purchase from the Weichai Group.

As disclosed in the Announcements, upon the implementation and completion of the Gratuitous Transfer, SHIG together with its associate will be entitled to exercise 65% voting rights in the general meetings of CNHTC. As CNHTC is, and SHIG will become, the controlling shareholder of the Company and Weichai Holdings is wholly owned by SHIG, Weichai Holdings will become a connected person of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Gratuitous Transfer has not been implemented and completed and therefore the Master Agreements and the transactions contemplated respectively thereunder do not constitute continuing connected transactions of the Company. However, upon Transfer Completion, the Master Agreements and the transactions contemplated respectively thereunder shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps for the transactions contemplated thereunder shall simultaneously become effective.

**1. 2020 Parts For Sale Agreement**

The principal terms of the 2020 Parts For Sale Agreement are set out as below:

- Date: 16 December 2019
- Parties:
  - (1) the Company (for itself and on behalf of its subsidiaries); and
  - (2) Weichai Holdings (for itself and on behalf of its subsidiaries)
- Type of goods to be sold: Parts For Sale
- Term: Thirteen months commencing from the date of the 2020 Parts For Sale Agreement and ending on 31 December 2020 (both days inclusive).
- Pricing and other terms: The parties to the 2020 Parts For Sale Agreement have agreed as follows:
  - (i) price for the Parts For Sale to be sold by the Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate and the price charged by the Group when selling similar parts to independent third parties; and

(ii) the terms of the sales offered by the Group to the Weichai Group shall be no more favourable than those made available to independent third parties with similar terms.

Historical aggregate amounts:

The approximate historical aggregate amounts of revenue received by the Group from the Weichai Group for the two financial years ended 31 December 2018 and the ten months ended 31 October 2019 are as follows:

	<b>For the year ended 31 December 2017 <i>RMB'000</i></b>	<b>For the year ended 31 December 2018 <i>RMB'000</i></b>	<b>For the ten months ended 31 October 2019 <i>RMB'000</i></b>
Historical aggregate amount	1,710	1,610	2,450

Annual caps:

Pursuant to the 2020 Parts For Sale Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the one month ending 31 December 2019 and the financial year ending 31 December 2020 are expected not to exceed the following (assuming Transfer Completion):

	<b>For the one month ending 31 December 2019 <i>RMB'000</i></b>	<b>For the financial year ending 31 December 2020 <i>RMB'000</i></b>
Annual cap	2,800	64,000

The proposed annual caps for the transactions contemplated under the 2020 Parts For Sale Agreement were determined after considering the following factors:

- (i) historical amounts of sales to the Weichai Group; and
- (ii) the estimated sales volume of oil pumps with steady growth by taking into account, among others, macroeconomic conditions, market demand and industry standards, as well as the development strategies, business expansion plan of the Group.

#### Pricing policy

Pursuant to the terms of the 2020 Parts For Sale Agreement, the Group will supply to the Weichai Group raw materials, components, parts and semi-finished products, etc. as stipulated therein on terms which are equivalent to those the Group offers to independent third parties. The prices for the transactions contemplated under the 2020 Parts For Sale Agreement are determined based on the parts price list compiled by the Group for the products offered to all its customers including independent third parties and the Weichai Group (the “**Parts Sales Price List**”). Such prices offered to both the Weichai Group and independent third parties will also take into consideration the market conditions at the relevant time, the size of orders and the technical conditions. Hence, the terms of the sales offered by the Group to the Weichai Group will be no more favourable than those made available to independent third parties with similar terms.

## Internal control measures

In order to ensure that the prices of each of the transactions are determined in accordance with the pricing policy applicable to the 2020 Parts For Sale Agreement and that the prices are no more favourable to the Weichai Group than those offered to independent third parties, the prices of the transactions will be determined by the same Parts Sales Price List available to all customers of the Group, which is approved by the responsible management or executive Directors. The Parts Sales Price List is reviewed on an annual basis. Hence, the prices offered to the Weichai Group will be no more favourable than those offered to independent customers as the same Parts Sales Price List is applicable to all of the Group's customers. The final price is determined by the contracting parties' business teams with reference to the Parts Sales Price List, the overall market conditions, the size of orders and the technical conditions, subject to the principles of fairness and reasonableness. The final prices will be ultimately approved by the senior management of the Company or its subsidiaries.

The Company has also established procedures for monitoring its continuing connected transactions in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. The Group Investment Management and Securities Department carries out regular meetings on the management and control of connected transactions (**“Regular CCT Meetings”**) to monitor and ensure all continuing connected transactions are in compliance with the relevant rules and regulations. The Group Finance Department prepares, on a monthly basis, the year-to-date actual transaction amounts of continuing connected transactions (**“Monthly CCT**

**Transactions Summary**”) and checks accumulated actual value of each continuing connected transaction against the respective pre-approved cap. If any accumulated annual transaction amount exceeds 70% of the pre-approved annual cap, the relevant continuing connected transaction will be reported to the Group Investment Management and Securities Department. The Group Audit Department will conduct quarterly reviews to check whether these transactions are conducted in accordance with the established procedures and internal controls (“**Quarterly Internal Review**”) and assess the effectiveness of the internal controls. In addition, the Company engages the external auditors to conduct annual reviews of the continuing connected transactions of the Group to report to the Board whether there are any unapproved continuing connected transactions or any non-compliance, in all material respects, of the pricing policies and terms of the continuing connected transactions, including any exceeding of the pre-approved annual caps of the continuing connected transactions (“**Annual CCT Review Reporting**”).

In light of the above, the Board considers that the above procedures can ensure that the transactions will be conducted on normal commercial terms and not be prejudicial to the interests of the Company and its minority shareholders.

## 2. 2020 Parts For Purchase Agreement

The principal terms of the 2020 Parts For Purchase Agreement are set out as below:

Date:	16 December 2019
Parties:	(1) the Company (for itself and on behalf of its subsidiaries); and  (2) Weichai Holdings (for itself and on behalf of its subsidiaries)
Type of goods to be purchased:	Parts For Purchase
Term:	Thirteen months commencing from the date of the 2020 Parts For Purchase Agreement and ending on 31 December 2020 (both days inclusive).
Pricing and other terms:	The parties to the 2020 Parts For Purchase Agreement have agreed as follows:  (i) price for the Parts For Purchase to be supplied by the Weichai Group shall be determined in the Specific Agreements and should be set, after arm's length negotiations with reference to the prevailing market rate; and  (ii) the prices for the parts supplied by the Weichai Group to the Group shall be no less favourable to the Group than those offered by independent third parties.

Historical aggregate amount:

The approximate historical aggregate amount of purchase price paid by the Group to the Weichai Group for the two financial years ended 31 December 2018 and the ten months ended 31 October 2019 are as follows:

	<b>For the year ended 31 December 2017 <i>RMB'000</i></b>	<b>For the year ended 31 December 2018 <i>RMB'000</i></b>	<b>For the ten months ended 31 October 2019 <i>RMB'000</i></b>
Historical aggregate amount	52,090	69,080	156,970

Annual caps:

Pursuant to the 2020 Parts For Purchase Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the one month ending 31 December 2019 and the financial year ending 31 December 2020 are expected not to exceed the following (assuming Transfer Completion):

	<b>For the one month ending 31 December 2019 <i>RMB'000</i></b>	<b>For the financial year ending 31 December 2020 <i>RMB'000</i></b>
Annual cap	130,000	1,470,000

The proposed annual caps for the transactions contemplated under the 2020 Parts For Purchase Agreement were determined after considering the following factors:

- (i) historical amounts of procurement from the Weichai Group, in particular the increase in the amount of procurement for the three months ended 31 October 2019;

- (ii) the estimated increase in procurement volume of parts and components for engines and vehicles while taking into account, among others, macroeconomic conditions, market demand and industry standards, as well as the development strategies and business expansion plan of our Group; and
- (iii) the diversity of the market demand of different types of engines for vehicles and the increase in the market demand for small horsepower engines.

#### Pricing policy

Pursuant to the terms of the 2020 Parts For Purchase Agreement, the Weichai Group will supply raw materials, parts, components, semi-finished products, etc. to the Group. The Weichai Group will provide the Group with a selling price list of its parts which is applicable to all of its customers. Based on the aforesaid price list provided by the Weichai Group and the price quotation offered by other qualified suppliers, the Group will negotiate with all qualified suppliers including the Weichai Group to determine the agreed prices of all the parts, after taking into consideration the market conditions at the relevant time, the size of orders and the technical conditions, and all the purchases of parts from independent suppliers and the Weichai Group will be fixed at these agreed selling prices. The Group will prepare its parts purchase price list, which summarises all agreed parts purchase prices with independent parts suppliers and the Weichai Group, for all procurement departments of the Group to follow. Accordingly, the prices for the transactions under the 2020 Parts For Purchase Agreement will be determined in accordance with the market price approach to ensure that the prices for the parts supplied by the Weichai Group are no less favourable to the Group than those offered by independent third parties.

## Internal control measures

In order to ensure that the prices of each of the transactions are determined in accordance with the pricing policy applicable to the 2020 Parts For Purchase Agreement and the prices are no less favourable than those provided to the Group by independent third parties, the Group will ask for quotations from independent third party suppliers and the Weichai Group respectively. Based on these quotations, the Group will cross check the prices of the parts available in the market. If the Group also produces such parts, it will also compare the intragroup selling prices of the Group against those offered by the Weichai Group. The Group will then negotiate with independent third party suppliers and the Weichai Group to finalise the prices of the parts, after taking into consideration the market conditions at the relevant time and the technical conditions. By conducting the aforesaid comparisons of the prices of the parts offered by the Weichai Group, the Group ensures that the prices of the parts offered by the Weichai Group are fair and reasonable.

In addition, the procurement departments of the Group generally obtain quotations from at least two to three independent suppliers to compare with those offered by the Weichai Group. The quotation review committee of the Group comprising experts from the Procurement Department, the Technical Department and Finance Department will review and assess the quotations from technical, commercial and financial perspectives and make recommendations to the responsible management or executive Directors.

The Company has also established procedures for monitoring its continuing connected transactions in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. The Group Investment Management and Securities Department carries out Regular CCT Meetings to monitor and ensure all continuing connected transactions are in compliance with the relevant rules and regulations. The Group Finance Department prepares the Monthly CCT Transactions Summary and checks accumulated actual value of each continuing connected transaction against the respective pre-approved cap. If any accumulated annual transaction amount exceeds 70% of the pre-approved annual cap, the relevant continuing connected transaction will be reported to the Group Investment Management and Securities Department. The Group Audit Department will conduct Quarterly Internal Review and assess the effectiveness of the internal controls. In addition, the Company will engage the external auditors to conduct Annual CCT Review Reporting.

In light of the above, the Board considers that the above procedures can ensure that the transactions will be conducted on normal commercial terms and not be prejudicial to the interests of the Company and its minority shareholders.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENTS**

### *In relation to the 2020 Parts For Sale Agreement*

Since the beginning of 2019, the Weichai Group has accepted the Group as its supplier of truck-use and off-road mechanical pumps. Therefore, the Group has actively seized the opportunity of selling oil pumps to the Weichai Group.

The terms of the 2020 Parts For Sale Agreement were made after arm's length negotiations between the Company and Weichai Holdings. The Board considers that the cooperation between the Group and the Weichai Group enables the Group to respond and cater for the parts specifications and requirements of the Weichai Group quickly and in a cost efficient manner and this will result in generating additional

business and revenue stream to the Group. The Directors (including the independent non-executive Directors but excluding Mr. Jiang Kui) consider that the terms of the 2020 Parts For Sale Agreement are on normal commercial terms, or on terms equivalent to those the Group offers to independent third parties under prevailing local market conditions; and the 2020 Parts For Sale Agreement has been entered into in the ordinary and usual course of business of the Group, the terms of the 2020 Parts For Sale Agreement and the relevant proposed annual caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

#### *In relation to the 2020 Parts For Purchase Agreement*

During the transitional phase from China V Emission Standard to China VI Emission Standard for medium heavy duty trucks, the Group was required to replace older types of engines gradually. The Group's current China VI Emission Standard engine production capacity has been fully utilized with full production, making external procurement a necessity in continued expansion. Further, the customers of the Group often have requested for engines from the Weichai Group to be installed in their commercial vehicles. Accordingly, purchases from Weichai Holdings will allow the Group to meet the expectations from its customers.

The terms of the 2020 Parts For Purchase Agreement are the results of arm's length negotiations between the Company and Weichai Holdings. The Directors (including the independent non-executive Directors but excluding Mr. Jiang Kui) consider that the terms of the 2020 Parts For Purchase Agreement are on normal commercial terms, or on terms no less favourable to the Group than those available from independent third parties under prevailing local market conditions; and the 2020 Parts For Purchase Agreement has been entered into in the ordinary and usual course of business of the Group, the terms of the 2020 Parts For Purchase Agreement and the relevant proposed annual caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES TO THE MASTER AGREEMENTS**

### **The Group**

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

## **Weichai Holdings**

Weichai Holdings is a company established in the PRC with limited liability. According to the public information available, the Weichai Group (including Weichai Power and its subsidiaries) is principally engaged in the manufacturing and sale of engines, heavy duty trucks, gear boxes, parts and components of heavy duty trucks and hydraulics controlling parts.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by SHIG. SHIG was owned as to 70% by 山東省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Shandong Government\*), 20% by 山東國惠投資有限公司 (Shandong Guohui Investment Co., Ltd.\*) and 10% by 山東省社會保障基金理事會 (Shandong Provincial Council for Social Security Fund\*).

## **LISTING RULES IMPLICATIONS**

Assuming Transfer Completion, SHIG together with its associate will be entitled to exercise 65% voting rights in the general meetings of CNHTC. As CNHTC is, and SHIG will become, the controlling shareholder of the Company and Weichai Holdings is wholly owned by SHIG, Weichai Holdings will become a connected person of the Company under Chapter 14A of the Listing Rules.

As such, the transactions contemplated respectively under the Master Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Transfer Completion. The Directors (including the independent non-executive Directors but excluding Mr. Jiang Kui) are of the view that the terms of each of the Master Agreements and the transactions contemplated respectively thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Mr. Jiang Kui, a non-executive Director, is the general manager of SHIG and a non-executive director of Weichai Power and therefore is considered as having a material interest in the transactions contemplated respectively under the Master Agreements. Accordingly, Mr. Jiang Kui has abstained from voting on the Board resolutions for approving each of the Master Agreements and the transaction contemplated respectively thereunder (including the proposed annual caps therefor).

Save as disclosed above, as none of the other Directors has a material interest in the Master Agreements, none of them has abstained from voting on the resolutions proposed at the Board meeting of the Company to approve the Master Agreements (including the proposed annual caps therefor) and the transactions contemplated respectively thereunder.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps under each of the Master Agreements exceed 0.1% but all of them are less than 5%, the Master Agreements and the transaction contemplated respectively thereunder are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“2020 Parts For Purchase Agreement”	the parts for purchase agreement entered into between the Company and Weichai Holdings dated 16 December 2019 in relation to the purchase of the Parts For Purchase
“2020 Parts For Sale Agreement”	the parts for sale agreement entered into between the Company and Weichai Holdings dated 16 December 2019 in relation to the sale of the Parts For Sale
“Announcements”	the announcements of the Company dated 29 September 2019 and 13 December 2019 relating to the Gratuitous Transfer
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a company established in the PRC with limited liability and is the controlling shareholder 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, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Gratuitous Transfer”	the transfer of 45% equity interest in CNHTC to SHIG for nil consideration as disclosed in the Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreements”	the 2020 Parts For Sale Agreement and the 2020 Parts For Purchase Agreement
“Parts For Purchase”	raw materials, components, parts and semi-finished products to be purchased from the Weichai Group
“Parts For Sale”	raw materials, components, parts and semi-finished products to be sold by the Group
“PRC”	the People’s Republic of China, for the purpose in this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SHIG”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a company established in the PRC with limited liability and shall become the controlling shareholder of the Company upon Transfer Completion
“Specific Agreement”	each specific individual agreement that may be entered into between members of the Group and members of the Weichai Group in accordance with the principles and terms of the respective Master Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Completion”	completion of the Gratuitous Transfer
“Weichai Group”	Weichai Holdings and its subsidiaries (including Weichai Power and its subsidiaries)

“Weichai Holdings”	潍柴控股集团有限公司 (Weichai Group Holdings Limited), a company established in the PRC with limited liability and will become a connected person of the Company upon Transfer Completion
“Weichai Power”	Weichai Power Co., Ltd., a company established in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2338)
“%”	per cent

By order of the Board  
**Sinotruk (Hong Kong) Limited**  
**Cai Dong**  
*Chairman of the Board and President*

Beijing, PRC, 16 December 2019

*As at the date of this announcement, the Board consists of seven executive Directors including Mr. Cai Dong, Mr. Wang Shanpo, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Sun Chenglong and Mr. Richard von Braunschweig; four non-executive Directors including Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Jiang Kui and Ms. Annette Danielski; and six independent non-executive Directors including Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.*

*\* for identification purpose only*