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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: 03808)

CONNECTED TRANSACTION

CAPITAL CONTRIBUTION AGREEMENT IN RESPECT OF THE TARGET

THE CAPITAL CONTRIBUTION AGREEMENT

On 17 January 2022, Ji'nan Power, a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Weichai Lovol, Shantui Investment, Zhongtong Bus, Weichai Power and the Target, pursuant to which, amongst other things, Ji'nan Power has agreed to make capital contribution in the amount of RMB76,008,116.16 (equivalent to approximately HK\$93,061,667) to the Target. Upon completion of the transactions contemplated under the Capital Contribution Agreement, the Group will become a holder of 30% of the total equity interest in the Target.

LISTING RULES IMPLICATIONS

As CNHTC is a controlling shareholder of the Company and Zhongtong Bus is a subsidiary of CNHTC, Zhongtong Bus is a connected person of the Company. Accordingly, the entering into of the Capital Contribution Agreement by Ji'nan Power with Zhongtong Bus and other parties constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules for the Capital Contribution Agreement is more than 0.1% but all of such ratios are less than 5%, the entering into of the Capital Contribution Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

I. INTRODUCTION

The Board is pleased to announce that on 17 January 2022, Ji'nan Power, a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Weichai Lovol, Shantui Investment, Zhongtong Bus, Weichai Power and the Target, pursuant to which, amongst other things, Ji'nan Power has agreed to make capital contribution in the amount of RMB76,008,116.16 (equivalent to approximately HK\$93,061,667) to the Target. Upon completion of the transactions contemplated under the Capital Contribution Agreement, the Group will become a holder of 30% of the total equity interest in the Target.

II. PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

Date:	17 January 2022
Parties:	(1) Ji'nan Power
	(2) Weichai Lovol
	(3) Shantui Investment
	(4) Zhongtong Bus
	(5) Weichai Power
	(6) The Target

Subject matter

Pursuant to the terms of the Capital Contribution Agreement, each of Ji'nan Power, Weichai Lovol, Shantui Investment and Zhongtong Bus has agreed to make monetary capital contributions (the “**Capital Contribution(s)**”) to the Target as follows, and each of Weichai Power and the Target has agreed to such Capital Contributions:

Party	Total capital contribution to be made (RMB)	Contribution to registered capital (RMB)	Contribution to capital reserve (RMB)	Percentage of equity interest in the Target immediately after completion of the Capital Contributions
Ji'nan Power	76,008,116.16	75,000,000.00	1,008,116.16	30%
Weichai Lovol	48,138,473.57	47,500,000.00	638,473.57	19%
Shantui Investment	15,201,623.23	15,000,000.00	201,623.23	6%
Zhongtong Bus	12,668,019.36	12,500,000.00	168,019.36	5%
Total	152,016,232.32	150,000,000.00	2,016,232.32	60%

The Target is currently a wholly-owned subsidiary of Weichai Power and has a registered capital of RMB100 million. After the making of the Capital Contributions in accordance with the Capital Contribution Agreement, the registered capital of the Target will be increased to RMB250 million and Weichai Power will hold 40% of the total equity interest in the Target.

According to the articles of association of the Target, any proposed transfer of equity interest in the Target to any person other than an existing equity holder of the Target shall be consented to by more than half of the existing equity holders of the Target (if no such consent is obtained, then the non-consenting equity holders should purchase the equity interest proposed to be transferred) and is subject to the right of first purchase of the existing equity holders of the Target.

Basis of Capital Contributions and payment terms

The amount of the Capital Contributions were determined after arm's length negotiation among the parties to the Capital Contribution Agreement with reference to the appraised value of the total equity interest of the Target of RMB101,344,200 (equivalent to approximately HK\$124,082,277) as appraised by the Valuer (adopting the asset-based approach) as at the Valuation Reference Date, the Target's funding needs for its future business development and the agreed percentage of equity interest in the Target to be held by each party.

The relevant Capital Contributions shall be paid in cash by each of Ji'nan Power, Weichai Lovol, Shantui Investment and Zhongtong Bus to the Target on 31 January 2022.

The Group's portion of the Capital Contribution is expected to be funded by the Group's internal financial resources.

Completion

Each of Ji'nan Power, Weichai Lovol, Shantui Investment and Zhongtong Bus shall assist the Target to complete the changes of the relevant industrial and commercial registration in respect of their respective Capital Contribution to the Target within 15 working days after the date of the Capital Contribution Agreement.

III. INFORMATION ON THE TARGET

The Target was established on 27 November 2018 as a limited liability company in the PRC. It is currently a wholly-owned subsidiary of Weichai Power and has a registered capital of RMB100 million. The Target is principally engaged in the design, development, consulting, transfer and promotion of intelligent driving assistance and self-driving systems and related technologies.

Set out below is the audited financial information for the two financial years ended 31 December 2019 and 31 December 2020 and the audited financial information for the nine months ended 30 September 2021 of the Target, prepared based on the generally accepted accounting principles of the PRC:

	For the nine months ended 30 September 2021 RMB (audited)	For the year ended 31 December 2020 RMB (audited)	For the year ended 31 December 2019 RMB (audited)
Net profits (loss) before taxation	(18,511,307.04)	1,173,343.40	86,117.79
Net profits (loss) after taxation	(18,487,585.46)	1,158,652.53	77,087.08

Based on the audited financial information of the Target prepared based on the generally accepted accounting principles of the PRC, as of 30 September 2021, the audited total asset value and net asset value of the Target were approximately RMB91,729,566 and RMB82,748,154, respectively. Based on the valuation report in respect of the Target issued by the Valuer, the appraised total asset value and the net asset value of the Target as at the Valuation Reference Date were approximately RMB110,032,100 and RMB101,344,200, respectively.

IV. INFORMATION ON WEICHAI POWER, WEICHAI LOVOL AND SHANTUI INVESTMENT

Weichai Power

Weichai Power is a joint stock company limited by shares established in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338). Weichai Power is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts.

Weichai Lovol

Weichai Lovol is a joint stock company limited by shares established in the PRC. Weichai Lovol, together with its subsidiaries, is principally engaged in the design, development, manufacture and sale of agriculture machinery, construction machinery, vehicles, and vehicle parts and components. It is held as to approximately 60% by a wholly-owned subsidiary of SHIG and approximately 39.31% by Weichai Power.

Shantui Investment

Shantui Investment is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shantui Engineering Machinery Co., Ltd. (山推工程機械股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (stock code: 000680). Shantui Investment is principally engaged in investment.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) each of Weichai Power, Weichai Lovol and Shantui Investment is a subsidiary of SHIG, (ii) SHIG is ultimately governed and controlled by Shandong Provincial People's Government* (山東省人民政府), and (iii) Weichai Power, Weichai Lovol, Shantui Investment and their ultimate beneficial owner are Independent Third Parties.

V. INFORMATION ON JI'NAN POWER AND ZHONGTONG BUS

Ji'nan Power

Ji'nan Power is a wholly-owned subsidiary of the Company and principally engaged in the development, production and sales of engines and components and the research and development and testing of vehicles and components.

Zhongtong Bus

Zhongtong Bus is a joint stock company limited by shares established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 000957). It is principally engaged in the development, manufacturing and sale of buses and bus parts and components. Zhongtong Bus is a subsidiary of CNHTC.

CNHTC is a commercial vehicles manufacturer and a controlling shareholder of the Company. 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).

VI. REASONS AND BENEFITS FOR ENTERING INTO THE CAPITAL CONTRIBUTION AGREEMENT

The Company is principally engaged in investment holding. The Group primarily specialises in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, etc. and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes as well as the provision of financial services.

Upon completion of the Capital Contributions pursuant to the Capital Contribution Agreement, the Target will be held as to 30% by the Group and will be accounted for as an associate of the Company. The Target focuses on the planning, construction and operation of internet of vehicles (車聯網) business. It has a research and development team of over 100 people, has established three research and development platforms covering internet of vehicles, logistic technologies and intelligent driving, and possesses comprehensive technological capabilities in areas of internet of vehicles, structural design of intelligent driving system, software development, system integration and simulation testing. The Board considers that the equity investment in the Target will enable the Group to fully utilise its resources and seize opportunities in the fast-developing area of the internet of vehicles, which is in line with the Company's strategic plan to actively pursue the digitization of commercial vehicles and the intelligentization of the industry. It is also expected that, upon the completion of the Capital Contribution pursuant to the Capital Contribution

Agreement, there will be synergy between the Target's technological strength and the Group's business, which, in turn, will improve the Group's technological competitiveness and contribute to its long-term success.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Capital Contribution Agreement was entered into on normal commercial terms after arm's length negotiations (after having taking into consideration the appraised value and the financial positions of the Target as at Valuation Reference Date) and that the terms of the Capital Contribution Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Although the entering into of the Capital Contribution Agreement shall be regarded as an investing activity and therefore is not conducted in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Capital Contribution Agreement and the transactions contemplated thereunder are beneficial to the long-term business strategy of the Group.

VII. THE LISTING RULES IMPLICATIONS

As at the date of this announcement, CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited, which in turn holds approximately 51% of the issued share capital of the Company. As CNHTC is a controlling shareholder of the Company, and Zhongtong Bus is a subsidiary of CNHTC, Zhongtong Bus is a connected person of the Company. Accordingly, the entering into of the Capital Contribution Agreement by Ji'nan Power with Zhongtong Bus and other parties constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules for the Capital Contribution Agreement is more than 0.1% but all of such ratios are less than 5%, the entering into of the Capital Contribution Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

At the Board meeting held on 17 January 2022 approving the Capital Contribution Agreement, Mr. Cai Dong, Mr. Liu Zhengtao and Ms. Li Xia have abstained from voting in respect of the resolution approving the Capital Contribution Agreement in view of their respective positions in CNHTC and/or the Target. Save as disclosed above, none of the Directors has a material interest in the Capital Contribution Agreement.

VIII. DEFINITIONS

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

“Board”	the board of Directors
“Capital Contribution(s)”	has the meaning ascribed to it under the section headed “II. Principal terms of the Capital Contribution Agreement - Subject matter”
“Capital Contribution Agreement”	a capital contribution agreement entered into by Ji’nan Power, Weichai Lovol, Shantui Investment, Zhongtong Bus, Weichai Power and the Target on 17 January 2022
“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 controlling shareholder of the Company
“Company”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties who are not connected persons of the Company and are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Ji’nan Power”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shantui Investment”	山推投資有限公司 (Shantui Investment Co., Ltd.*), a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of the shares in the Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	濰柴智能科技有限公司 (Weichai Intelligent Technology Co., Ltd.*), a company established in the PRC with limited liability
“Valuation Reference Date”	30 September 2021, being the reference date adopted by the Valuer in the valuation of the Target
“Valuer”	中聯資產評估集團有限公司 (Zhonglian Asset Appraisal Group Co., Ltd.*), an independent professional valuer in the PRC
“Weichai Lovol”	濰柴雷沃重工股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd.*), a joint stock company limited by shares established in the PRC

“Weichai Power”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a joint stock company limited by shares established in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338)
“Zhongtong Bus”	中通客車股份有限公司 (Zhongtong Bus Holding Co., Ltd.), a joint stock company limited by shares established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 000957)
“%”	per cent

For illustration purpose, amounts in RMB in this announcement have been translated to HK\$ at RMB0.81675 = HK\$1.00.

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

Ji’nan, PRC, 17 January 2022

As at the date of this announcement, the Board of the Company consists of seven executive directors of the Company including Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Li Shaohua, and Ms. Li Xia; four non-executive Directors of the Company including Mr. Jiang Kui, Dr. h.c. Andreas Tostmann, Mr. Mats Lennart Harborn and Mr. Karsten Oellers; and six independent non-executive Directors of the Company including Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong.

** For identification purposes only*