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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)

SUPPLEMENTAL AGREEMENT TO EXISTING CONTINUING CONNECTED TRANSACTION

SUPPLEMENTAL AGREEMENT

Reference is made to the Company's announcement dated 31 March 2021 in respect of, *inter alia*, the 2023 CNHTC Guarantee Agreement.

Due to the Group's business strategies in strengthening the operations of its financial services subsidiaries with a view to further support the operational needs of the Group, the Company intends to expand the scope of the transactions contemplated under the 2023 CNHTC Guarantee Agreement, and therefore expects that the existing annual caps for the two years ending 31 December 2023 under the 2023 CNHTC Guarantee Agreement will be insufficient. Accordingly, with a view to streamline the guarantee arrangements between the CNHTC Group and the Group, the Board announces that, on 31 March 2022, the Company has entered into the Supplemental Agreement with CNHTC to expand the scope of the 2023 CNHTC Guarantee Agreement and to revise the annual caps for the two years ending 31 December 2023 to the Revised Caps.

LISTING RULES IMPLICATIONS

As CNHTC is a controlling shareholder of the Company and thus a connected person of the Company, the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement is more than 0.1% but all of such ratios are less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent Shareholders' approval requirement.

I. INTRODUCTION

Reference is made to the Company's announcement dated 31 March 2021 in respect of, *inter alia*, the 2023 CNHTC Guarantee Agreement.

Due to the Group's business strategies in strengthening the operations of its financial services subsidiaries with a view to further support the operational needs of the Group, the Company intends to expand the scope of the transactions contemplated under the 2023 CNHTC Guarantee Agreement, and therefore expects that the existing annual caps for the two years ending 31 December 2023 under the 2023 CNHTC Guarantee Agreement will be insufficient. Accordingly, with a view to streamline the guarantee arrangement between CNHTC Group and the Group, the Board announces that, on 31 March 2022, the Company has entered into the Supplemental Agreement with CNHTC to expand the scope of the 2023 CNHTC Guarantee Agreement and to revise the annual caps for the two years ending 31 December 2023 to the Revised Caps.

II. THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemented 2023 CNHTC Guarantee Agreement are as follows:

Date: 31 March 2021 (as supplemented by the Supplemental Agreement between the same parties on 31 March 2022)

Parties: (i) CNHTC

(ii) The Company

Term: Two years from 1 January 2022 to 31 December 2023
(both days inclusive)

Subject matter:

(a) Existing arrangement on guaranteeing of loans to CNHTC's customers

Certain subsidiaries of the Company are principally engaged in the provision of financial services (including providing loans and customer credit) in the PRC, and as part of the ordinary and usual course of business of the Group, the Group would grant loans to third parties, with the principal amount and interest rate determined after arm's length negotiations between the Group and the borrowers with reference to the loan prime rate published by the People's Bank of China and the interest rates charged by major and independent commercial banks in adjacent areas in the normal course of business for similar types of loan services and the credibility of the relevant borrowers.

In the course of the Group's operations and in line with the abovementioned principles, the Group (through the abovementioned subsidiaries principally engaged in the provision of financial services) would at times provide loans (the "**Underlying CNHTC Customer Loan(s)**") to certain customers of the CNHTC Group (the "**Customers**") for the purpose of such Customer's purchasing of products from the CNHTC Group.

Pursuant to the 2023 CNHTC Guarantee Agreement, for each Underlying CNHTC Customer Loan, the CNHTC Group has agreed that, for a term of two years from 1 January 2022 to 31 December 2023, the relevant members of the CNHTC Group shall provide, without charging any guarantee fees from the Group, a credit guarantee to the Group for the repayment obligations of the relevant customer under the Underlying CNHTC Customer Loan (including the unpaid principal, interest payments, interest in arrears, default penalties, and the costs and expenses of the Group relating to the enforcement of the relevant guarantee).

(b) Expansion of scope to finance lease arrangements

Under the Supplemented 2023 CNHTC Guarantee Agreement, other than the provision of a credit guarantee to the Group for the repayment obligations of the Customer in respect of the Underlying CNHTC Customer Loan as stipulated under the 2023 CNHTC Guarantee Agreement, the scope of the guarantee has been extended to cover any Underlying CNHTC Customer Loan that is granted by the Group to a Customer through a finance lease arrangement.

The relevant finance lease arrangement shall involve a grant of an Underlying CNHTC Customer Loan by the Group to a Customer, which grant is conditional upon the transfer of the ownership of the product (the “**Leased Product**”) purchased by such Customer to the Group. The amount of the Underlying CNHTC Customer Loan granted shall be determined with reference to the carrying value of the Leased Product. The Customer shall repay such Underlying CNHTC Customer Loan to the Group in the form of a lease payment for the use of the relevant Leased Product, and upon fulfilment of all outstanding repayment obligations, the Group shall transfer the ownership of the Leased Product back to the Customer at a notional value.

Under the Supplemented 2023 CNHTC Guarantee Agreement, in the event of a default on the Customer’s part on the repayment of the Underlying CNHTC Customer Loan, the CNHTC Group guarantees that, without charging any guarantee fees from the Group, it shall repurchase from the Group the Leased Products at a price equivalent to the outstanding amount of the Underlying CNHTC Customer Loan (including the unpaid principal, interest payments, interest in arrears, lease payments, default penalties, and the costs and expenses of the Group relating to the enforcement of the relevant guarantee).

Alternatively, depending on the credibility of the relevant Customer, the amount of the Underlying CNHTC Customer Loan granted and the carrying value of the relevant Leased Product, the CNHTC Group may be requested by the Group to provide, without charging any guarantee fees from the Group, a credit guarantee to the Group for the repayment obligations of the relevant customer under the Underlying CNHTC Customer Loan (including the unpaid principal, interest payments, interest in arrears, lease payments, default penalties, and the costs and expenses of the Group relating to the enforcement of the relevant guarantee).

Other than (i) the expansion of the scope of the 2023 CNHTC Guarantee Agreement to include the abovementioned finance lease arrangements, and (ii) the revision of the existing annual caps under the 2023 CNHTC Guarantee Agreement to the Revised Caps (as further described below), the terms of the Supplemented 2023 CNHTC Guarantee Agreement are substantially the same as those of the 2023 CNHTC Guarantee Agreement.

Other terms and details:

Pursuant to the Supplemented 2023 CNHTC Guarantee Agreement, the relevant members of the Group and the relevant members of the CNHTC Group will enter into a separate agreement to provide for the detailed terms of each single transaction and the relevant guarantee arrangement in accordance with the principles set out in the Supplemented 2023 CNHTC Guarantee Agreement, such as the exact amount of the relevant Underlying CNHTC Customer Loan subject to the guarantee and the repayment mechanism (such as the repayment schedule) when the guarantee is enforced.

Existing annual caps

The following table summarises the existing annual caps, being the maximum day-end guarantee balance of the total outstanding principal amount of the Underlying CNHTC Customer Loans, for the transactions contemplated under the 2023 CNHTC Guarantee Agreement for each of the two years ending 31 December 2023, respectively:

| | For the year ending 31 December 2022 | For the year ending 31 December 2023 |
|--|---|---|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Existing annual caps (being the maximum day-end guarantee balance) | 90,000 | 100,000 |

Historical transaction amounts

- (a) *Guarantee from the CNHTC in connection with the grant of Underlying CNHTC Customer Loans by the Group to the Customers*

The following table summarises the approximate historical amounts, being the maximum day-end guarantee balance of the total outstanding principal amount of the Underlying CNHTC Customer Loans, under the 2021 CNHTC Guarantee Agreement for the two years ended 31 December 2021, respectively:

| | For the year ended 31 December 2020 | For the year ended 31 December 2021 |
|--|--|--|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Historical transaction amounts (being the maximum day-end guarantee balance) | 1,464 | 95,296 |

(b) *Guarantee from the CNHTC Group in connection with certain finance lease arrangements between the Group and Customers*

In addition, the Group plans to grant loans to customers of the CNHTC Group through finance lease arrangements, being a new business model for the Group, pursuant to which the relevant ownership of the Leased Products purchased by the Customers had been held under the name of the Group until full repayment of the relevant loans. In respect of such arrangements, the CNHTC Group will also provide guarantees to the Group to repurchase such Leased Products from the Group in the event of a default on the Customers' part, at a price equivalent to the outstanding amount of the relevant loans. The historical transaction amount for such arrangements is zero.

Revised Caps and basis

The following table shows the Revised Caps, being the maximum day-end guarantee balance of the total outstanding principal amount of the Underlying CNHTC Customer Loans (inclusive of those arising under the finance lease arrangement), for the two years ending 31 December 2023 for the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement:

| | For the year ending 31 December 2022 | For the year ending 31 December 2023 |
|--|---|---|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revised Caps (being the maximum day-end guarantee balance) | 790,000 | 850,000 |

The Revised Caps, being the maximum day-end guarantee balance of the total outstanding principal amount of the Underlying CNHTC Customer Loans, for the two years ending 31 December 2023 for the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement were determined after considering the following factors:

- (i) the actual historical transaction amounts under the 2021 CNHTC Guarantee Agreement for the two years ended 31 December 2021;

- (ii) the recent expansion in the members comprising the CNHTC Group, and in turn, an expected substantial increase in demand from the customers of the CNHTC Group for financing of their purchase of the CNHTC Group's products, in view of (x) Zhongtong Automobile Industry Group Co., Ltd.* (中通汽車工業集團有限責任公司) ("Zhongtong Automobile") having become a subsidiary of CNHTC in September 2021. Zhontong Automobile is a conglomerate principally engaged in the sale of passenger vehicles and commercial vehicles, and is the holding company of Zhongtong Bus Holding Co., Ltd. (中通客車股份有限公司), one of the leading bus manufacturers in the PRC whose shares are listed on the Shenzhen Stock Exchange; and (y) SHIG (a leading automobile and equipment groups in the PRC) and its associates having become connected persons of the Company following the completion of the gratuitous transfers of certain equity interest in CNHTC as disclosed in the Company's announcement dated 28 February 2022;
- (iii) the expansion of the scope of the 2023 CNHTC Guarantee Agreement to include guarantees to be provided by the CNHTC Group to the Group in respect of finance lease arrangements as mentioned in the sub-paragraph headed "Subject matter - (b) Expansion of scope to finance lease arrangements" above;
- (iv) the Group's business strategy in strengthening the operations of its financial services subsidiaries with a view to further support the operational needs of the Group whilst controlling risks by obtaining sufficient guarantees;
- (v) the expected outstanding balances of the current Underlying CNHTC Customer Loans (including the unpaid principal, interest payments, interest in arrears, lease payments, default penalties, and the costs and expenses of the Group relating to the enforcement of the relevant guarantee), in particular, having taken into account the expanded scope as mentioned in sub-paragraphs (ii) and (iii) above;
- (vi) the credit ability and repayment history of these customers of the CNHTC Group; and
- (vii) the maximum guarantee limit to be granted by the CNHTC Group.

Taking into account and on the basis of the aforesaid factors, the annual cap under the 2023 CNHTC Guarantee Agreement for the year ending 31 December 2022 has been adjusted to RMB790 million from the existing cap for the year ending 31 December 2022 of RMB90 million, and it is estimated that the maximum day-end guarantee balance will increase by approximately 7.6% for the year ending 31 December 2023 to RMB850 million.

Internal control procedures

The Company has established procedures for monitoring the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. The Group's investment management and securities department ("Group Securities Department") carries out regular meetings on the management and control of connected transactions to monitor and ensure all the relevant transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement are in compliance with the relevant rules and regulations. The Group's finance Department prepares, on a monthly basis, the maximum day-end balance of transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement and checks the maximum day-end balance of the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement against the respective pre-approved cap. If any maximum day-end balance exceeds 70% of the pre-approved annual cap, the relevant transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement will be reported to the Group Securities Department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. The Group's internal audit department will conduct quarterly reviews to check whether these transactions are conducted in accordance with the established procedures and internal controls and assess the effectiveness of the internal controls. In addition, the Company will engage the external auditors of the Company to conduct an annual review of the relevant continuing connected transactions of the Group to report 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.

Reasons for and benefits of entering into the Supplemental Agreement and revising the existing annual caps

The CNHTC Group has been providing credit guarantee to the Group in respect of the repayment obligations of loans of the CNHTC Group's customers under the Underlying CNHTC Customer Loans pursuant to the 2023 CNHTC Guarantee Agreement.

Due to the Group's business strategies in strengthening the operations of its financial services subsidiaries with a view to further support the operational needs of the Group, the Board contemplates that in addition to the increase in the amount of Underlying CNHTC Customer Loans to be granted to the customers of the CNHTC Group as stipulated under the 2023 CNHTC Guarantee Agreement, the demand for guarantee arrangements between CNHTC Group and the Group arising from the relevant finance lease arrangements between the Group and the customers of the CNHTC Group is also expected to grow. Accordingly, with a view to streamline the guarantee arrangements between CNHTC Group, the Supplemental Agreement was entered into between CNHTC and the Company to expand the scope of the transactions contemplated under the 2023 CNHTC Guarantee Agreement and to revise the annual caps for the two years ending 31 December 2023 to the Revised Caps.

Whilst the Group will conduct credit checks and assess the credibility of the customers of the CNHTC Group before advancing each Underlying CNHTC Customer Loan (inclusive of those arising under the finance lease arrangement), the credit risk faced by the Group will be further reduced by accepting the guarantee provided by the CNHTC Group associated with each Underlying CNHTC Customer Loan. The Underlying CNHTC Customer Loans (inclusive of those arising under the finance lease arrangement) will support further expansion of the automobile financing business of the Group and enhance the interest income of the Group. In addition, the availability of the Underlying CNHTC Customer Loans (inclusive of those arising under the finance lease arrangement) may facilitate the sales of the CNHTC Group to its customers which may in turn lead to an increase in demand for the Group's products as members of the CNHTC Group are distributors of the Group's products and increase the purchase of parts for manufacturing such products. This may further increase the sales revenue of the Group. Accordingly, the Board (including the independent non-executive Directors but excluding the CNHTC Interested Directors) believes that it is in the best interest of the Company to enter into the relevant transactions.

The terms of the Supplemented 2023 CNHTC Guarantee Agreement were made after arm's length negotiations between the Company and CNHTC. The Board (including the independent non-executive Directors but excluding the CNHTC Interested Directors) is of the view that the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement are on normal commercial terms, or on terms no less favourable than those available from independent third parties under prevailing local market conditions; the Supplemented 2023 CNHTC Guarantee Agreement was entered into in the ordinary and usual course of business of the Group; and the terms of the transactions under the Supplemented 2023 CNHTC Guarantee Agreement (including the Revised Caps) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON THE PARTIES TO THE SUPPLEMENTAL AGREEMENT

The Company and the Group

The Company is principally engaged in investment holding. The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, buses, etc. and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes and the provision of financial services. The Company is ultimately governed and controlled by 山東省人民政府 (Shandong Provincial People's Government*).

CNHTC

As at the date of this announcement, CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited, which in turn is the holder of 51% of the Shares. 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).

IV. THE LISTING RULES IMPLICATIONS

CNHTC is a substantial shareholder of the Company. Accordingly, the transactions between the Group and the CNHTC Group as contemplated under the Supplemented 2023 CNHTC Guarantee Agreement constitute continuing connected transactions on the part of the Company.

Pursuant to Rule 14A.54(2), if the Company proposes to revise the annual caps for continuing connected transactions, the Company will need to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement is more than 0.1% but all of such ratios are less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent Shareholders' approval requirement.

At the Board meeting held on 31 March 2022 approving, inter alia, the Supplemental Agreement and the Revised Caps, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei and Ms. Li Xia have abstained from voting in respect of the resolution approving the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement in view of their respective positions in CNHTC. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement.

Further, in respect of (i) the disposal of the Leased Products by the Customer to the Group, and (ii) the repurchase of Leased Products by the CNHTC Group from the Group, arising from the finance lease arrangements as disclosed above, the Group expects that all the percentage ratios (if applicable) in respect of such transactions, in an annual basis, will all be less than 5%. The Company will monitor such transactions and will comply with the requirements of Chapter 14 and/or Chapter 14A of the Listing Rules as and when appropriate.

V. DEFINITIONS

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

| | |
|--|---|
| “2021 CNHTC Guarantee Agreement” | the guarantee agreement dated 26 March 2018 entered into between the Company (for itself and on behalf of its subsidiaries) and CNHTC (for itself and on behalf of its associates but excluding the Group), under which the relevant member of the CNHTC Group agreed to provide credit guarantee to the Company in respect of the payment obligations of loans to customers of the CNHTC Group |
| “2023 CNHTC Guarantee Agreement” | the agreement dated 31 March 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and CNHTC (for itself and on behalf of its associates but excluding the Group), under which the relevant member of the CNHTC Group agreed to provide credit guarantee to the Company in respect of the payment obligations of loans to customers of the CNHTC Group |
| “associate(s)” | has the meaning ascribed thereto under 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 state-owned enterprise organised under the laws of the PRC with limited liability |
| “CNHTC Group” | CNHTC and its associates, but excluding any member of the Group which constitutes an associate of CNHTC solely due to CNHTC’s indirect interest in the Shares of the Company |
| “CNHTC Interested Directors” | Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei and Ms. Li Xia |
| “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 |
| “Customer(s)” | has the meaning ascribed thereto under the section headed “II. The Supplemental Agreement — Subject matter” in this announcement |
| “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 |
| “Leased Products” | has the meaning ascribed thereto under the section headed “II. The Supplemental Agreement — Subject matter” in this announcement |
| “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 |
| “Revised Caps” | the revised annual cap(s) for the transactions contemplated under the Supplemented 2023 CNHTC Guarantee Agreement as set out in this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “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 which is the holding company of CNHTC and a controlling shareholder of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

| | |
|---|--|
| “Supplemental Agreement” | the supplemental agreement to the 2023 CNHTC Guarantee Agreement entered into between the Company and CNHTC on 31 March 2022 |
| “Supplemented 2023 CNHTC Guarantee Agreement” | the 2023 CNHTC Guarantee Agreement as supplemented by the Supplemental Agreement |
| “Underlying CNHTC Customer Loan(s)” | has the meaning ascribed thereto under the section headed “II. The Supplemental Agreement — Subject matter” in this announcement |
| “%” | per cent |

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

Ji’nan, PRC, 31 March 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, Ms. Li Xia and Mr. Sun Shaojun; four non-executive Directors of the Company including Mr. Jiang Kui, Mr. Alexander Albertus Gerhardus Vlaskamp, Mr. Karsten Oellers and Mr. Mats Lennart Harborn; 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*