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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 INCREASE AGREEMENT IN RESPECT OF THE TARGET

THE CAPITAL INCREASE AGREEMENT

On 22 June 2022, Ji'nan Power (a wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement with Weichai Power and the Target, pursuant to which, amongst other things, Ji'nan Power has agreed to make a Capital Contribution to the Target in the total amount of RMB133,333,333.34, among which approximately RMB63 million will be used to increase the registered capital of the Target.

Upon completion of the making of the Capital Contributions in accordance with the Capital Increase Agreement, the proportion of the equity interest in the Target held by Ji'nan Power would remain unchanged as 40%.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SHIG is a substantial shareholder of the Company indirectly interested in 51% of the equity interest in the Company and is a connected person of the Company. Weichai Power and the Target (a non-wholly-owned subsidiary of Weichai Power held as to 60% by Weichai Power), being indirect subsidiaries of SHIG, are also connected person of the Company.

Accordingly, the making of the relevant Capital Contribution by Ji'nan Power contemplated under the Capital Increase Agreement 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 to be made by Ji'nan Power under the Capital Increase Agreement is more than 0.1% but all of such ratios are less than 5%, the entering into the Capital Increase 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

On 22 June 2022, Ji'nan Power (a wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement with Weichai Power and the Target, pursuant to which, amongst other things, Ji'nan Power has agreed to make a Capital Contribution to the Target in the total amount of RMB 133,333,333.34, among which approximately RMB63 million will be used to increase the registered capital of the Target.

II. PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

Date: 22 June 2022

Parties: (1) Weichai Power
(2) Ji'nan Power
(3) The Target

Subject matter

Pursuant to the terms of the Capital Increase Agreement, each of the Existing Shareholders (comprising Weichai Power and Ji'nan Power) has agreed to make monetary capital contributions (the “**Capital Contribution(s)**”) to the Target as follows in proportion to their current respective interest in the Target, and the Target has agreed to such Capital Contributions:

Party	Total capital contribution to be made (RMB)	Contribution to registered capital (RMB)	Percentage of equity interest in the Target immediately after completion of the Capital Contributions
Weichai Power	200,000,000.00	94,666,779.17	60%
Ji'nan Power	<u>133,333,333.34</u>	<u>63,111,186.12</u>	<u>40%</u>
Total	<u><u>333,333,333.34</u></u>	<u><u>157,777,965.29</u></u>	<u><u>100%</u></u>

Following the making of the relevant contribution to the registered capital of the Target as set out in the above table, the remaining balance of the total Capital Contributions shall be contributed as capital reserve of the Target.

The Target is currently a non-wholly-owned subsidiary of Weichai Power which is held as to 60% by Weichai Power and 40% by Ji'nan Power, and has a registered capital of RMB338,485,849.61. After the making of the Capital Contributions in accordance with the Capital Increase Agreement, the registered capital of the Target will be increased to RMB496,263,814.90, and the proportion of the equity interest in the Target held by each of the Existing Shareholders will remain unchanged.

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 Increase Agreement with reference to the appraised value of the total equity interest of the Target of approximately RMB715 million (equivalent to approximately HK\$836 million) 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 current respective proportion of the equity interest of the Existing Shareholders in the Target.

The relevant Capital Contributions shall be paid in cash by each of Weichai Power and Ji'nan Power to the Target within 30 days of entering into the Capital Increase Agreement.

Ji'nan Power's Capital Contribution is expected to be funded by Ji'nan Power's internal financial resources.

Completion

Each of Weichai Power and Ji'nan Power shall assist the Target to complete the registration of changes in registered capital at the relevant administrative body for market regulation within 10 working days of the date of the Capital Increase Agreement.

III. INFORMATION ON THE TARGET

The Target is a limited liability company established in the PRC. The Target is principally engaged in the production, sales and research of mechanical and electronically controlled fuel injection system.

The capital structures of the Target (i) as at the date of this announcement; and (ii) immediately after the completion of the Capital Contributions are set out below:

Name of equity holder	Registered capital of the Target held by the relevant equity holder as at the date of this announcement	Percentage of equity interest of the Target held by the relevant equity holder as at the date of this announcement	Capital Contribution to be vested as registered capital of the Target	Registered capital of the Target held by the relevant equity holder immediately after completion of the Capital Contributions	Percentage of equity interest of the Target held by the relevant equity holder immediately after completion of the Capital Contributions
	(RMB)			(RMB)	(RMB)
Weichai Power	203,091,509.77	60%	94,666,779.17	297,758,288.94	60%
Ji'nan Power	135,394,339.84	40%	63,111,186.12	198,505,525.96	40%
Total	<u>338,485,849.61</u>	<u>100%</u>	<u>157,777,965.29</u>	<u>496,263,814.90</u>	<u>100%</u>

Following the making of the relevant contribution to the registered capital of the Target as set out in the above table, the remaining balance of the total Capital Contributions shall be contributed as capital reserve of the Target.

The Target is currently accounted for as an associate of the Company and will continue to be accounted for as an associate of the Company following the completion of the Capital Contributions.

Set out below is the audited financial information for the two financial years ended 31 December 2020 and 31 December 2021 and the unaudited financial information of the Target for the four months ended 30 April 2022 prepared based on the generally accepted accounting principles of the PRC:

	For the four months ended 30 April 2022	For the year ended 31 December 2021	For the year ended 31 December 2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net profits before taxation	14,925,850.30	39,185,765.88	50,057,478.81
Net profits after taxation	14,930,447.68	33,632,291.71	46,274,571.98

Based on the audited financial information of the Target prepared based on the generally accepted accounting principles of the PRC, as of 31 December 2021 the audited total asset value and net asset value of the Target were RMB825,485,036.11 and RMB525,161,765.97, respectively. Based on valuation report in respect of the Target issued by the Valuer, the appraised total asset value and net asset value of the Target as at the Valuation Reference Date were approximately RMB1,017,418,000 and approximately RMB715,110,100, respectively.

IV. INFORMATION ON 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 business of research and development, manufacture and sale of high-speed heavy-duty engines and engine parts.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) Weichai Power is a subsidiary of SHIG, and (ii) SHIG is ultimately governed and controlled by Shandong Provincial People's Government* (山東省人民政府).

V. INFORMATION ON 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.

VI. REASONS AND BENEFIT FOR ENTERING INTO THE CAPITAL INCREASE 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.

Leveraging on the synergy effect between Weichai Power and the Group, the Target has been performing positively and developed further needs in improving its production line and research capabilities. It is expected that the funds from the Capital Contributions will strengthen the financial position of the Target, enabling the Target to enhance its research and development capability and upgrade the process equipment, solve capacity bottleneck, and meet the financial needs of future development, and thereby support its further business development and improve its market competitiveness in the long run. In turn, the Group will not only enjoy the growth and performance of the Target, but will also benefit from the supply of quality fuel pumps provided by Target, which will in turn improve the Group's competitiveness in the market and contribute to its long-term success.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Capital Increase 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 Increase 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 Investment 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 Increase 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, SHIG is a substantial shareholder of the Company indirectly interested in 51% of the equity interest in the Company and is a connected person of the Company. Weichai Power and the Target (a non-wholly-owned subsidiary of Weichai Power held as to 60% by Weichai Power), being indirect subsidiaries of SHIG, are also connected person of the Company.

Accordingly, the making of the relevant Capital Contribution by Ji'nan Power contemplated under the Capital Increase Agreement 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 to be made by Ji'nan Power under the Capital Increase Agreement is more than 0.1% but all of such ratios are less than 5%, the entering into the Capital Increase 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 approving the Capital Increase Agreement, Mr. Cai Dong, Mr. Dai Lixin, Mr. Sun Shaojun and Mr. Jiang Kui have abstained from voting in respect of the resolution approving the Capital Increase Agreement in view of their respective positions in Weichai Power and/or its associates. Save as disclosed above, none of the Directors has a material interest in the Capital Increase 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 Increase Agreement — Subject matter” in this announcement
“Capital Increase Agreement”	a capital increase agreement entered into between Weichai Power, Ji'nan Power and the Target on 22 June 2022 in respect of the making of Capital Contributions

“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
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	Weichai Power and Ji’nan Power
“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
“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
“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”	重油高科電控燃油噴射系統(重慶)有限公司 (Chongyou Gaoke Fuel System Co., Ltd.*), a company established in the PRC with limited liability
“Valuation Reference Date”	31 December 2021, being the reference date adopted by the Valuer in the valuation of the Target

“Valuer”	山東中評恒信資產評估有限公司 (Shandong Zhongping Hengxin Asset Valuation Co., Ltd.*), an independent professional valuer 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)
“%”	per cent

For illustration purpose, amounts in RMB in this announcement have been translated to HK\$ at RMB0.8549 = HK\$1.00.

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

Ji’nan, PRC, 22 June 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*