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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 IN RESPECT OF THE TARGET**

##### **THE CAPITAL CONTRIBUTION AGREEMENT**

On 30 October 2022, Ji'nan Power, a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Weichai Power and the Target, pursuant to which, among other things, Ji'nan Power has agreed to make capital contribution in the amount of RMB505,934,501.26 (equivalent to approximately HK\$553,884,000) to the Target. Upon completion of the transactions contemplated under the Capital Contribution Agreement, the Group will become a holder of approximately 30% of the total equity interest in the Target.

##### **LISTING RULES IMPLICATIONS**

As SHIG is a substantial shareholder of the Company, SHIG is a connected person of the Company. Weichai Power, being an indirect subsidiary of SHIG, and the Target, being a wholly-owned subsidiary of Weichai Power, are also connected persons of the Company. Accordingly, the entering into of the Capital Contribution Agreement by Ji'nan Power (a wholly-owned subsidiary of the Company) with Weichai Power and the Target 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 30 October 2022, Ji'nan Power, a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Weichai Power and the Target, pursuant to which, among other things, Ji'nan Power has agreed to make capital contribution in the amount of RMB505,934,501.26 (equivalent to approximately HK\$553,884,000) to the Target. Upon completion of the transactions contemplated under the Capital Contribution Agreement, the Group will become a holder of approximately 30% of the total equity interest in the Target.

## II. PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

- Date:** 30 October 2022
- Parties:**
- (1) Ji'nan Power
  - (2) Weichai Power
  - (3) the Target

### **Subject matter**

Pursuant to the terms of the Capital Contribution Agreement, Ji'nan Power has agreed to make capital contribution (the "**Capital Contribution**") to the Target in an aggregate amount of RMB505,934,501.26, among which:

- (i) RMB42,857,142.86 shall be used to increase the registered capital of the Target; and
- (ii) RMB463,077,358.40 shall be used to increase the capital reserve of the Target.

The Target is currently a wholly-owned subsidiary of Weichai Power and has a registered capital of RMB100,000,000. After the abovementioned capital contribution in accordance with the Capital Contribution Agreement, the registered capital of the Target will be increased from RMB100,000,000 to RMB142,857,142.86, and Weichai Power and the Group will hold approximately 70% and 30% of the total equity interest in the Target, respectively.

In addition, any profit/loss of the Target for the period from the Valuation Reference Date to the date of payment of the Capital Contribution (the “**Transitional Period**”) will be borne by Weichai Power. Weichai Power and Ji’nan Power shall jointly engage auditors to audit the profit/loss during the Transitional Period within 15 days after payment of the Capital Contribution. The Board does not expect such adjustment will be so significant as to result in a change in the classification of the Capital Contribution under Chapter 14 or Chapter 14A of the Listing Rules.

### **Basis of capital contribution and payment terms**

The amount of the Capital Contribution was determined after arm’s length negotiation among the parties to the Capital Contribution Agreement with reference to the appraised net asset value of the Target of RMB1,180,513,836.27 (equivalent to approximately HK\$1,292,397,000) as appraised by an independent PRC valuer 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.

Within five business days after the signing of the Capital Contribution Agreement and the obtaining of all applicable approval procedures, changes to the relevant industrial and commercial registration will be attended to by the Target. The amount of Capital Contribution to be made to the Target shall be paid in cash by Ji’nan Power within five business days of the completion of the changes of the relevant industrial and commercial registration.

The Capital Contribution to be made by the Group is expected to be funded by the Group’s internal financial resources.

### **III. INFORMATION ON THE TARGET**

The Target was established on 16 August 2013 as a limited liability company in the PRC. It is currently a wholly-owned subsidiary of Weichai Power and has a registered capital of RMB100,000,000. The Target is principally engaged in the research, design, sale and repair of air purification products, consultation and transfer of air purification technology, import and export trade of goods and technology permitted by the State.

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

	<b>For the six months ended 30 June 2022 RMB (unaudited)</b>	<b>For the year ended 31 December 2021 RMB (audited)</b>	<b>For the year ended 31 December 2020 RMB (audited)</b>
Net profits before taxation	43,621,126.27	235,952,914.38	88,541,494.54
Net profits after taxation	43,295,730.98	235,338,569.54	104,665,832.89

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 RMB2,634,910,231.22 and RMB490,004,402.43, respectively. Based on the unaudited financial information of the Target prepared based on the generally accepted accounting principles of the PRC, as of 30 June 2022, the unaudited total asset value and net asset value of the Target were RMB1,797,994,943.95 and RMB533,300,133.41, respectively. Based on the valuation report in respect of the Target issued by an independent PRC valuer, the appraised net asset value of the Target as at the Valuation Reference Date was approximately RMB1,180,513,836.27.

Insofar as the Company is aware, the Target was incorporated by Weichai Power, and prior to the completion of the making of the Capital Contribution, Weichai Power has been and will remain the 100% shareholder of the Target. The original cost of investment incurred by Weichai Power in respect of the incorporation of the Target was approximately RMB100 million.

#### **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 research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Power is an indirect subsidiary of SHIG, and SHIG is in turn 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 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, buses, 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 contribution by Ji'nan Power pursuant to the Capital Contribution Agreement, the Target will be held as to approximately 30% by the Group and will be accounted for as an associated company of the Company. The Target focuses on research, design, sale and repair of air purification products for vehicles. It is 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 would involve the supply of high quality air purification products from the Target to the Group, which, in turn, will improve the Group's technological competitiveness and contribute to its long-term success. It is also expected that the Group would be able to further leverage the resources and expertise of the Target, and gain access to new business and investment opportunities, which will in turn enhance the value of the Group as a whole.

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, SHIG is a substantial shareholder of the Company and a connected person of the Company. Therefore, Weichai Power, being an indirect subsidiary of SHIG, and the Target, being a wholly-owned subsidiary of Weichai Power, are also connected persons of the Company. Accordingly, the entering into of the Capital Contribution Agreement by Ji'nan Power (a wholly-owned subsidiary of the Company) with Weichai Power and the Target 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 approving the Capital Contribution Agreement, Mr. Cai Dong, Mr. Sun Shaojun and Mr. Jiang Kui have abstained from voting in respect of the resolution approving the Capital Contribution Agreement in view of their respective positions in SHIG and/or Weichai Holdings. 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”	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 between Ji'nan Power, Weichai Power and the Target on 30 October 2022

“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
“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
“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
“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
“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 a controlling shareholder (as defined in the Listing Rules) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	濰柴動力空氣淨化科技有限公司 (Weichai Power Freshen Air Technology Co., Ltd.*), a company established in the PRC with limited liability

“Transitional Period”	has the meaning ascribed to it under the section headed “II. Principal terms of the Capital Contribution Agreement - Subject matter”
“Valuation Reference Date”	31 October 2021, being the reference date adopted by an independent PRC valuer in the valuation of the net asset value of the Target
“Weichai Holdings”	濰柴控股集團有限公司(Weichai Group Holdings Limited*), a company established in the PRC with limited liability which is a wholly-owned subsidiary of SHIG and the holding company of Weichai Power
“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 RMB0.91343 = HK\$1.00.*

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

Ji’nan, PRC, 30 October 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. Richard von Braunschweig, Ms. Li Xia, Mr. Sun Shaojun and Mr Wang Chen; 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*