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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

DISPOSAL OF THE AFTERTREATMENT BUSINESS

THE DISPOSAL

On 30 October 2022, Ji'nan Rubber, a wholly-owned subsidiary of the Company, entered into the Business Transfer Agreement with Weichai Freshen Air, pursuant to which, among other things, Ji'nan Rubber has agreed to sell, and Weichai Freshen Air has agreed to acquire and assume, the Aftertreatment Business at the Consideration of RMB590,895,910.13 (equivalent to approximately HK\$646,898,000). Upon completion of the Disposal, the Group will cease to have any interest in the Aftertreatment Business.

LISTING RULES IMPLICATIONS

As SHIG is a substantial shareholder of the Company, SHIG is a connected person of the Company. Weichai Freshen Air, being an indirect subsidiary of SHIG, is also a connected person of the Company. Accordingly, the Disposal 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 Disposal is more than 0.1% but all of such ratios are less than 5%, the Disposal is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

Shareholders and potential investors should note that the Disposal, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

I. INTRODUCTION

The Board is pleased to announce that on 30 October 2022, Ji'nan Rubber, a wholly-owned subsidiary of the Company, entered into the Business Transfer Agreement with Weichai Freshen Air, pursuant to which, among other things, Ji'nan Rubber has agreed to sell, and Weichai Freshen Air has agreed to acquire and assume, the Aftertreatment Business at the Consideration of RMB590,895,910.13 (equivalent to approximately HK\$646,898,000). Upon completion of the Disposal, the Group will cease to have any interest in the Aftertreatment Business.

II. PRINCIPAL TERMS OF THE BUSINESS TRANSFER AGREEMENT

Date: 30 October 2022

Parties: (1) Ji'nan Rubber, as seller
(2) Weichai Freshen Air, as purchaser

Subject matter

Ji'nan Rubber has agreed to sell, and Weichai Freshen Air has agreed to acquire and assume, the Aftertreatment Business, in accordance with the terms of the Business Transfer Agreement. Further details of the Aftertreatment Business are set out in the section headed "III. Information on the Aftertreatment Business" below.

Consideration and payment terms

Pursuant to the Business Transfer Agreement, the consideration (the "**Initial Consideration**") payable by Weichai Freshen Air to Ji'nan Rubber for the Disposal is RMB590,895,910.13 (equivalent to approximately HK\$646,898,000).

The Initial Consideration is subject to customary adjustments based on the profit/loss of the Aftertreatment Business for the period from the Valuation Reference Date to the date of the Completion (the "**Transitional Period**") which will be enjoyed or borne by Ji'nan Rubber. Weichai Freshen Air and Ji'nan Rubber shall jointly engage auditors to confirm the profit/loss during the

Transitional Period within 15 days after the date of the Completion. The Board does not expect such adjustment to the Initial Consideration (if any) will be so significant as to result in a change in the classification of the Disposal under Chapter 14 or Chapter 14A of the Listing Rules.

The Consideration was determined after arm's length negotiation between Ji'nan Rubber and Weichai Freshen Air based on the appraised value of the Aftertreatment Business of RMB590,895,910.13 (equivalent to approximately HK\$646,898,000) as appraised by an independent PRC valuer as at the Valuation Reference Date.

The Consideration shall be paid by Weichai Freshen Air to Ji'nan Rubber in cash within 30 working days after the delivery of all completion documents by Ji'nan Rubber to Weichai Freshen Air.

Conditions precedent

The completion of the Disposal is conditional upon, inter alia, the fulfilment of the following conditions precedent:

- (i) SHIG having completed the filing for the relevant valuation report;
- (ii) the Disposal having been approved by SHIG; and
- (iii) Ji'nan Rubber having completed all relevant approval and announcement requirements (as applicable) in accordance with its internal policies and the Listing Rules.

Completion

Completion shall take place within 30 days of the satisfaction of the abovementioned conditions precedent, pursuant to which, *inter alia*, the following shall occur:

- (i) the transfer of the Aftertreatment Business (including the assets comprising the Aftertreatment Business) from Ji'nan Rubber to Weichai Freshen Air having been completed;
- (ii) the contracts and arrangements in respect of the Aftertreatment Business having been novated / assigned or otherwise amended or new contracts having been entered into in place of such original contracts and arrangements;

- (iii) the existing employment contracts between Ji'nan Rubber and its existing employees having been terminated and new employment contracts having been entered into by Weichai Freshen Air with such employees;
- (iv) the relevant information system required to maintain normal operations of the Aftertreatment Business having been migrated; and
- (v) all other applicable matters that Weichai Freshen Air considers necessary, including relevant filings and registrations, having been dealt with.

III. INFORMATION ON THE AFTERTREATMENT BUSINESS

The Aftertreatment Business represents a segment of the operations of Ji'nan Rubber which relates to the aftertreatment system products, which comprises; (i) assets related to aftertreatment system products, including but not limited to aftertreatment system products and semi-products, equipment and facilities (including construction-in-progress), and parts and components used for the manufacture of aftertreatment system products; (ii) liabilities of in respect of the aforementioned assets as at the completion date which is estimated to be approximately RMB161 million (subject to the results of the relevant completion audit); (iii) intellectual properties rights related to aftertreatment system products and/or the provision of relevant aftertreatment services, and (iv) contracts and records related to the aforementioned.

Set out below are the net profit before tax and net profit after tax of the Aftertreatment Business based on the audited pro forma financial statements of the Aftertreatment Business for the year ended 31 December 2020 and the unaudited pro forma financial statements of the Aftertreatment Business for the year ended 31 December 2021 and the six months ended 30 June 2022 prepared based on the generally accepted accounting principles of the PRC:

	For the six months ended 30 June 2022 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)	For the year ended 31 December 2020 RMB (audited)
Net profits before taxation	4,140,038.58	38,928,926.29	185,616,884.43
Net profits after taxation	3,105,028.94	29,196,694.72	139,212,663.32

Based on the unaudited pro forma financial information of the Aftertreatment Business prepared based on the generally accepted accounting principles of the PRC, as of 31 December 2021, the unaudited total asset value and net asset value of the Aftertreatment Business were approximately RMB674,188,437.65 and

RMB329,320,523.85, respectively and, as of 30 June 2022, the unaudited total asset value and net asset value of the Aftertreatment Business were approximately RMB654,920,526.02 and RMB332,425,552.79, respectively. Based on the valuation report in respect of the Aftertreatment Business issued by an independent PRC valuer, the appraised value of the Aftertreatment Business as at the Valuation Reference Date was approximately RMB590,895,910.13.

IV. INFORMATION ON WEICHAIR FRESHEN AIR

Weichai Freshen Air was established on 16 August 2013 as a limited liability company in the PRC, and 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. It is currently a wholly-owned subsidiary of 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, and is a subsidiary of SHIG.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Freshen Air 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 RUBBER

Ji'nan Rubber is a wholly-owned subsidiary of the Company and principally engaged in the production and sale of vehicle parts and components and construction machinery, and the research and development of rubber and plastic products.

VI. REASONS AND BENEFITS FOR ENTERING INTO THE BUSINESS TRANSFER 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.

As mentioned above, Ji'nan Rubber is principally engaged in the production and sale of vehicle parts and components and construction machinery, and the research and development of rubber and plastic products. The Aftertreatment Business comprises a part of the existing business operations of Ji'nan Rubber which relates to the aftertreatment system products. As the Aftertreatment Business contributes only a small portion to the overall profit of the Group, the Board is of the view that the Disposal will not have any material impact on the operation of the Group.

It is expected that, the Disposal would enable Weichai Freshen Air to consolidate its technological strength in air purification products for vehicles and provide all-rounded services to its customers, and, in turn, improve the overall profitability and competitiveness of the Weichai Freshen Air. Since the Group will acquire 30% of the interest in Weichai Freshen Air (as detailed in the announcement of the Company issued on 30 October 2022) and then Weichai Freshen Air will become a company accounted for as an associated company of the Group, the Group will be able to share the results of such positive performance of Weichai Freshen Air. At the same time, the Group expects to accrue a gain in the amount of approximately RMB257 million as a result of the Disposal after taking into account the difference between (i) the Consideration net of estimated expenses in connection with the Disposal and (ii) the net carrying value of the Aftertreatment Business.

The net proceeds from the Disposal will be utilised as general working capital of the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Business Transfer 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 Aftertreatment Business as at Valuation Reference Date) and that the terms of the Business Transfer Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Although the entering into of the Business Transfer Agreement shall be regarded as a divesting 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 Business Transfer 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 Freshen Air, being an indirect subsidiary of SHIG, is also a connected person of the Company. Accordingly, the Disposal 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 Disposal is more than 0.1% but all of such ratios are less than 5%, the Disposal 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 Business Transfer Agreement, Mr. Cai Dong, Mr. Sun Shaojun and Mr. Jiang Kui have abstained from voting in respect of the resolution approving the Business Transfer 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 Disposal.

Shareholders and potential investors should note that the Disposal, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

VIII. DEFINITIONS

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

“Aftertreatment Business”	the relevant assets, liabilities and operations of Ji’nan Rubber related to aftertreatment system products, as further detailed in the section headed “III. Information on the Aftertreatment Business” in this announcement
“Board”	the board of Directors
“Business Transfer Agreement”	a business transfer agreement entered into between Ji’nan Rubber and Weichai Freshen Air on 30 October 2022 in respect of the Disposal
“Company”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability

“Completion”	completion of the Disposal
“Consideration”	the total consideration payable by Weichai Freshen Air to Ji’nan Rubber in respect of the Disposal
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Aftertreatment Business by Ji’nan Rubber to Weichai Freshen Air pursuant to the Business Transfer Agreement
“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
“Initial Consideration”	has the meaning ascribed to it under the section headed “II. Principal terms of the Business Transfer Agreement — Consideration and payment terms”
“Ji’nan Rubber”	中國重汽集團濟南橡塑件有限公司 (Sinotruk Ji’nan Rubber & Plastic Components 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 and a controlling shareholder (as defined in the Listing Rules) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	has the meaning ascribed to it under the section headed “II. Principal terms of the Business Transfer Agreement - Consideration and payment terms”
“Valuation Reference Date”	31 October 2021, being the reference date adopted by an independent PRC valuer in the valuation of the Aftertreatment Business
“Weichai Freshen Air”	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
“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*