

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 ALL EQUITY INTEREST HELD IN THE TARGET

THE DISPOSAL

On 30 January 2024, Ji'nan Power (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with CNHTC and the Target, pursuant to which Ji'nan Power has agreed to sell, and CNHTC has agreed to acquire, all equity interest in the Target held by Ji'nan Power at the Consideration of RMB505,374,000 (equivalent to approximately HK\$555,661,352). Upon completion of the Disposal, the Group will cease to have any equity interest in the Target and the Target will be held as to 40% by CNHTC, and 60% by Weichai Power.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNHTC 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. 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 certain condition precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

I. INTRODUCTION

On 30 January 2024, Ji'nan Power (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with CNHTC and the Target, pursuant to which Ji'nan Power has agreed to sell, and CNHTC has agreed to acquire, all equity interest in the Target held by Ji'nan Power at the Consideration of RMB505,374,000 (equivalent to approximately HK\$555,661,352). Upon completion of the Disposal, the Group will cease to have any equity interest in the Target and the Target will be held as to 40% by CNHTC, and 60% by Weichai Power.

II. PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 30 January 2024

Parties: (1) Ji'nan Power, as the vendor
(2) CNHTC, as the purchaser
(3) the Target

Subject matter

Ji'nan Power has agreed to sell, and CNHTC has agreed to acquire, 40% of the equity interest in the Target in accordance with the terms of the Equity Transfer Agreement. Following the completion of the Disposal, the Target will be held as to 40% by CNHTC and 60% by Weichai Power.

Consideration and payment terms

Pursuant to the Equity Transfer Agreement, the consideration (the “**Consideration**”) payable by CNHTC for the Disposal is RMB505,374,000 (equivalent to approximately HK\$555,661,352).

The Consideration was determined after arm's length negotiation between Ji'nan Power and CNHTC based on the appraised value of the total equity interest in the Target of approximately RMB1,263,434,800 (equivalent to approximately HK\$1,389,153,161) as appraised by an independent PRC valuer as at the Valuation Reference Date adopting the discounted cash flow method of the income approach.

The Consideration shall be paid by CNHTC to Ji'nan Power in cash after the completion of the relevant industrial and commercial registration and before 30 April 2024.

The Target shall appoint auditors to confirm the profit/loss of the Target during the period from Valuation Reference Date to the date of Completion (the “**Transitional Period**”) within 30 days after the date of Completion. The profit/loss of the Target during the Transitional Period shall be enjoyed or borne by the relevant parties in the following manner, and relevant payments shall be made within 30 days from the date of completion of the auditors’ confirmation:

- (i) If the Target enjoys a net profit during the Transitional Period, 40% of such net profit shall be distributed to Ji’nan Power by way of dividend to be paid by the Target.
- (ii) If the Target suffers a net loss during the Transitional Period, Ji’nan Power shall make payment to CNHTC in an amount equivalent to 40% of the relevant net loss suffered by the Target during the Transitional Period.

The Board does not expect that the above adjustment, if any, will result in a change in the classification of the Disposal under Chapter 14 or Chapter 14A of the Listing Rules.

Condition precedent

The Equity Transfer Agreement shall only become effective upon Ji’nan Power and CNHTC having obtained all necessary approvals in respect of the Disposal, including but not limited to internal approvals and approval of, filing or registration with, the applicable governmental bodies.

Completion

Pursuant to the Equity Transfer Agreement, Ji’nan Power shall assist CNHTC and the Target to complete the relevant industrial and commercial registration in respect of the Disposal within 15 working days from the Effective Date. The date of completion of the relevant industrial and commercial registration shall be the date of Completion.

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. As at the date of this announcement and prior to the completion of the Disposal, the Target is held as to 40% by Ji’nan Power and 60% by Weichai Power. Such 40% interest in the Target held by Ji’nan Power has been held by the Group for over 12 months. 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).

Set out below is the audited financial information for the two financial years ended 31 December 2021 and 31 December 2022 and the eight months ended 31 August 2023 based on a special audit conducted for the purpose of the Disposal prepared based on the generally accepted accounting principles of the PRC:

	For the eight months ended 31 August 2023 RMB (audited)	For the year ended 31 December 2022 RMB (audited)	For the year ended 31 December 2021 RMB (audited)
Net profit before taxation	35,338,333.18	33,915,541.04	39,185,765.88
Net profit after taxation	30,726,152.56	36,318,652.70	34,108,735.53

Based on the financial information of the Target prepared based on the generally accepted accounting principles of the PRC, as of 31 August 2023, the audited total asset value and net asset value of the Target were approximately RMB1,264.11 million and RMB903.76 million, respectively. Based on valuation report in respect of the Target issued by the independent PRC valuer, the appraised value of the entire equity interest of the Target as at the Valuation Reference Date is approximately RMB1,263.43 million.

IV. INFORMATION ON 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. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, CNHTC is held as to approximately 65% by SHIG and 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. The Company is ultimately governed and controlled by Shandong Provincial People's Government* (山東省人民政府).

VI. REASONS AND BENEFITS OF THE DISPOSAL

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 Disposal, the Group will cease to have any equity interest in the Target, and the Target will no longer be accounted as an associate of the Company in the Company's consolidated financial statements.

The Board considers that the Disposal will enable the Group to optimise its resources allocation and is in line with the Group's needs for operations and development. It is expected that upon the completion of the Disposal, the Group will be able to afford more focus and resources to its principal businesses and improve its competitiveness and operational results as a whole. At the same time, as the Target contributes only a small portion to the profit of the Group, the Board is of the view that the Disposal will not have any material impact on the operations of the Group.

The Company expects to accrue a gain in the amount of approximately RMB10 million as a result of the Disposal, on the basis of the carrying value of the Target and the estimated final consideration.

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

In light of the above, the Board (including the independent non-executive Directors) considers that the Disposal was entered into on normal commercial terms after arm's length negotiations (having taken into consideration the appraised value of the Target) and that the terms of the Equity Transfer Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Although the Disposal shall be regarded as a divesting activity and therefore is not conducted in the ordinary and usual course of business of the Group, the Board (including the independent non-executive Directors) is of the view that such Disposal is beneficial to the operational efficiency, profitability and long-term business strategy of the Group.

VII. LISTING RULES IMPLICATIONS

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 therefore a substantial shareholder and a connected person of the Company for the purpose of the Listing Rules. 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 Equity Transfer Agreement and the transactions contemplated thereunder, Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia and Ms. Zhao Hong have abstained from voting in respect of the resolution in view of their respective positions in the relevant connected person(s). Save as disclosed above, none of the Directors has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder.

Shareholders and potential investors should note that the Disposal, which is subject to certain condition precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

VIII. DEFINITIONS

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

“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
“Company”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability

“Completion”	the completion of the relevant industrial and commercial registration in respect of the Disposal pursuant to the Equity Transfer Agreement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	has the meaning ascribed thereto under the section headed “II. Principal terms of the Equity Transfer Agreement — Consideration and payment terms” of this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 40% equity interest in the Target by Ji’nan Power to CNHTC pursuant to the Equity Transfer Agreement
“Effective Date”	the date of the Equity Transfer Agreement becoming effective as referred to in the section headed “II. Principal terms of the Equity Transfer Agreement — Condition precedent” of this announcement
“Equity Transfer Agreement”	an equity transfer agreement entered into between Ji’nan Power, CNHTC and the Target on 30 January 2024 in respect of the Disposal
“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
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“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”	重油高科電控燃油噴射系統有限公司 (Chongyou Gaoke Fuel System Co., Ltd.*) (formerly known as 重油高科電控燃油噴射系統(重慶)有限公司), a company established in the PRC with limited liability
“Transitional Period”	has the meaning ascribed thereto under the section headed “II. Principal terms of the Equity Transfer Agreement — Consideration and payment terms” of this announcement
“Valuation Reference Date”	31 August 2023, being the reference date adopted by the independent PRC valuer in the valuation of the Target
“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 RMB0.90950 = HK\$1.00.

By order of the Board
Sinotruk (Hong Kong) Limited
Wang Zhijian
Chairman of the Board

Ji'nan, PRC, 30 January 2024

As at the date of this announcement, the board of the Company consists of seven executive directors of the Company including Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Richard von Braunschweig; four non-executive directors of the Company including Mr. Sun Shaojun, 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*