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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

ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET

THE ACQUISITION

On 31 March 2021, Ji'nan Commercial Truck, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CNHTC, pursuant to which Ji'nan Commercial Truck has agreed to acquire, and CNHTC has agreed to sell, the entire equity interest in the Target at the consideration of RMB244,652,100 (equivalent to approximately HK\$289,467,500).

LISTING RULES IMPLICATIONS

As CNHTC is a controlling shareholder of the Company, and the Target is a wholly-owned subsidiary of CNHTC, each of CNHTC and the Target is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated pursuant to the Listing Rules for the Acquisition are more than 0.1% but less than 5%, the Acquisition 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 Acquisition, 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 31 March 2021, Ji'nan Commercial Truck, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CNHTC, pursuant to which Ji'nan Commercial Truck has agreed to acquire, and CNHTC has agreed to sell, the entire equity interest in the Target at the consideration of RMB244,652,100 (equivalent to approximately HK\$289,467,500).

II. PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 31 March 2021

Parties: (1) CNHTC, as the vendor
(2) Ji'nan Commercial Truck, as the purchaser

Subject matter

Ji'nan Commercial Truck has agreed to acquire, and CNHTC has agreed to sell, the entire equity interest in the Target in accordance with the terms of the Equity Transfer Agreement.

Consideration and payment terms

Pursuant to the Equity Transfer Agreement, the total consideration for the Acquisition is RMB244,652,100 (equivalent to approximately HK\$289,467,500), and the profit/loss of the Target for the period from the Valuation Reference Date to the date of the Completion will be borne by CNHTC. The Consideration shall be paid by Ji'nan Commercial Truck to CNHTC in cash within 15 working days after the date of the Equity Transfer Agreement (subject to satisfaction or (where applicable) waiver of the conditions precedent set out in the section below), and is expected to be funded out of the Group's internal financial resources.

The Consideration was determined after arm's length negotiation between CNHTC and Ji'nan Commercial Truck based on the appraised value of the Target of RMB244,652,100 (equivalent to approximately HK\$289,467,500) as appraised by the Valuer (adopting the asset-based approach) as at the Valuation Reference Date.

Conditions precedents

The payment of the Consideration by Ji'nan Commercial Truck is conditional upon the fulfilment or (if permitted by relevant laws and regulations) waiver by Ji'nan Commercial Truck in writing of the following conditions precedent:

- (i) CNHTC having obtained all necessary external and internal approvals, authorisations and consents for the Acquisition including but not limited to by the internal decision-making institutions, regulatory/supervisory institutions (including the state-owned assets supervisory and administration authorities, if needed) as well as creditors (banks or other financial institutions, if needed), and such approvals, authorisations and consents remaining valid as at the date of the payment of the Consideration by Ji'nan Commercial Truck;
- (ii) there being no adverse material changes in the circumstances of the Target or circumstances having material adverse impact on the Target (other than those already disclosed);
- (iii) there being no restriction on or prohibition of the Acquisition by any laws, regulations and government orders; and
- (iv) all requirements of the Listing Rules applicable to the Acquisition having been duly fulfilled by Ji'nan Commercial Truck (or the Company).

Completion

Ji'nan Commercial Truck shall complete the relevant industrial and commercial registration in respect of the Acquisition within 15 working days after its payment of the Consideration.

III. INFORMATION ON THE TARGET

The Target was established on 23 April 2015 as a limited liability company in the PRC and currently, has a registered capital of RMB642,991,515.79. It is principally engaged in the development, manufacture, sales and servicing of vehicles (including light duty trucks, mini-trucks, special-purpose vehicles and new energy vehicles) and vehicle parts and components.

Set out below is the audited financial information of the Target for the two financial years ended 31 December 2019 and 31 December 2020, respectively, prepared based on the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2020 RMB (audited)	For the year ended 31 December 2019 RMB (audited)
Net loss before taxation	(221,536,976.11)	(225,501,695.56)
Net loss after taxation	(221,536,976.11)	(225,501,695.56)

Based on the audited consolidated financial information of the Target prepared based on the generally accepted accounting principles of the PRC, as of 31 December 2020, the audited total asset value and net asset value of the Target were approximately RMB505.46 million and RMB107.54 million, respectively.

Insofar as the Company is aware, the entire equity interest of the Target had been accounted for by CNHTC on the basis of the Target's audited net asset of RMB112,574,875.61 when the Target was acquired by CNHTC pursuant to the Governmental Approval.

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 and is ultimately governed and controlled by Shandong Provincial People's Government* (山東省人民政府).

V. INFORMATION ON JI'NAN COMMERCIAL TRUCK

Ji'nan Commercial Truck is a wholly-owned subsidiary of the Group and principally engaged in the manufacture and sales of trucks and spare parts in the PRC.

VI. REASONS AND BENEFITS FOR THE ACQUISITION

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 to those parties related to the production and sales of the Group's products and to the CNHTC Group.

Upon completion of the Acquisition, the Target will become a wholly-owned subsidiary of the Company and its financial results will be merged with the consolidated financial statements of the Company. The Board considers that the Acquisition will enable the Group to broaden its product offering by adding the mini-truck products of the Target to the Group's product mix, which is in line with the Company's strategic plan to expand into the mini-truck segment market, seize rising market opportunities in the commercial vehicle market (in particular in the mini-truck segment market), and further complete the full-series commercial vehicle products mix of the Group. It is also expected that, upon the completion of the Acquisition, by taking advantage of the Group's strong research and development capabilities as well as its advantages in resources in term of technology, sales network etc., there will be significant improvement in the technological standard and market competitiveness of the mini-truck products of the Target (as a member of the Group), which, in turn, will improve the Group's competitiveness and operational results as a whole.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Acquisition 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 Equity Transfer Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Although the Acquisition 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 such Acquisition is beneficial to the long-term business strategy of the Group.

VII. THE LISTING RULES IMPLICATIONS

As at the date of this announcement, CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited, which in turn holds approximately 51% of the issued share capital of the Company. As CNHTC is a controlling shareholder of the Company, and the Target is a wholly-owned subsidiary of CNHTC, each of CNHTC and the Target is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated pursuant to the Listing Rules for the Acquisition are more than 0.1% but less than 5%, the Acquisition 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 held on 31 March 2021 approving, inter alia, the Acquisition, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Dai Lixin, Ms. Qu Hongkun and Mr. Li Shaohua have abstained from voting in respect of the resolution approving the Acquisition in view of their respective positions in CNHTC. Save as disclosed above, none of the Directors has a material interest in the Acquisition.

Shareholders and potential investors should note that the Acquisition, 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:

“Acquisition”	the acquisition of the entire equity interest in the Target by Ji’nan Commercial Truck from CNHTC
“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, being the substantial shareholder (as defined in the Listing Rules) of the Company

“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 Acquisition 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” of this announcement
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	an equity transfer agreement entered into between CNHTC and Ji’nan Commercial Truck on 31 March 2021 in respect of the Acquisition
“Governmental Approval”	the approval of the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government* (山東省人民政府) on the gratuitous transfer of the entire equity interest of the Target to CNHTC
“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 Commercial Truck”	中國重汽集團濟南商用車有限公司 (Sinotruk Ji’nan Commercial Truck 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	重汽(威海)商用車有限公司(Sinotruk (Weihai) Commercial Vehicle Co., Ltd.*), a company established in the PRC with limited liability
“Valuation Reference Date”	31 January 2021, being the reference date adopted by the Valuer in the valuation of the Target
“Valuer”	山東正源和信資產評估有限公司 (Shandong Zhengyuan Hexin Assets Appraisal Limited*), an independent professional valuer in the PRC
“%”	per cent

For illustration purpose, amounts in RMB in this announcement have been translated to HK\$ at RMB0.84518 = HK\$1.00.

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

Ji’nan, PRC, 31 March 2021

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. Qu Hongkun and Mr. Li Shaohua; four non-executive Directors of the Company including Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann; and six independent non-executive Directors of the Company including Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.

* *For identification purposes only*