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## CONNECTED TRANSACTIONS

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The following is a summary of the transactions which have been and are expected to be carried out between us or our subsidiaries and our Connected Persons following the Listing.

Transaction	Our group member	Connected person	Nature of relationship
<i>Exempt Continuing Connected Transactions</i>			
Patents licensing	Our company	China Heavy Truck Group Company	Our controlling shareholder
Trademarks licensing	Our company	China Heavy Truck Group Company	Our controlling shareholder
Provision of ancillary services, such as water supply, electricity supply and natural gas supply	Sinotruk Jinan Axle & Transmission Company	China Heavy Truck Group Company (for itself and on behalf of its subsidiaries and associates)	
Provisions of technical support, research and development services	Sinotruk Jinan Technical Center	China Heavy Truck Group Company	Our controlling shareholder
	Sinotruk Jinan Truck Company	Special Vehicle Company	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Commercial Truck Company	Jinan Bus Co., Ltd.	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Power	Jinan Investment Co., Ltd.	Subsidiary of China Heavy Truck Group Company
		Jining Company	Subsidiary of China Heavy Truck Group Company
		Taian Wuyu Special Truck Co., Ltd.	Subsidiary of China Heavy Truck Group Company
		Hangzhou Engine Factory	Subsidiary of China Heavy Truck Group Company
		Tianjin Heavy Truck Hangye Vehicles Distribution Co., Ltd.	Associate of China Heavy Truck Group Company
		Beijing Heavy Truck Hezhong Vehicles Distribution Co., Ltd.	Associate of China Heavy Truck Group Company
		Jinan Heavy Truck Staier Auto Parts Sales Co., Ltd.	Associate of China Heavy Truck Group Company
	Jinan Heavy Truck Chuangye Trading Co., Ltd.	Associate of China Heavy Truck Group Company	
	Laizhou Anda Machinery Manufacture Co., Ltd.	Associate of China Heavy Truck Group Company	

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Transaction	Our group member	Connected person	Nature of relationship
		Shanxi Zhongzhong Trucks Sales Co., Ltd.	Associate of China Heavy Truck Group Company
<i>Non-exempt continuing connected transactions</i>			
Sales of products	Sinotruk Jinan Truck Company	Special Vehicle Company	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Commercial Truck Company	Taian Wuyue Special Truck Co., Ltd.	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Power	Tianjin Heavy Truck Hangye Vehicles Distribution Co., Ltd.	Associate of China Heavy Truck Group Company
	Sinotruk Jinan Ganghua Import & Export Company	Beijing Heavy Truck Hezhong Vehicles Distribution Co., Ltd.	Associate of China Heavy Truck Group Company
	Sinotruk Shandong Import & Export Company	Shanxi Zhongzhong Trucks Sales Co., Ltd.	Associate of China Heavy Truck Group Company
	Sinotruk Hong Kong International Investment Company		
Purchase of products	Sinotruk Jinan Truck Company	Special Vehicle Company	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Commercial Truck Company	Taian Wuyue Special Truck Co., Ltd.	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Power	Jinan Investment Co. Ltd.	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Ganghua Import & Export Company		
	Sinotruk Shandong Import & Export Company		
	Sinotruk Hong Kong International Investment Company		
Sales of parts and components	Sinotruk Jinan Truck Company	Jinan Bus Co., Ltd.	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Commercial Truck Company	Jining Company	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Power	Special Vehicle Company	Subsidiary of China Heavy Truck Group Company

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Transaction	Our group member	Connected person	Nature of relationship
Purchase of parts and components	Sinotruk Jinan Ganghua Import & Export Company		
	Sinotruk Shandong Import & Export Company		
	Sinotruk Hong Kong International Investment Company		
Purchase of parts and components	Sinotruk Jinan Truck Company	Jinan Bus Co., Ltd.	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Commercial Truck Company	Jining Company	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Power	Special Vehicle Company	Subsidiary of China Heavy Truck Group Company
Purchase of services including property management, medical, staff training	Sinotruk Jinan Ganghua Import & Export Company		
	Sinotruk Shandong Import & Export Company		
	Sinotruk Hong Kong International Investment Company		
Purchase of services including property management, medical, staff training	Sinotruk Jinan Truck Company	China Heavy Truck Group Company	Our controlling shareholder
	Sinotruk Jinan Commercial Truck Company	Real Estate Company	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Power		
Leasing of properties	Sinotruk Jinan Technical Center		
	Sinotruk Factory Design Institute		
	Sinotruk Finance Company		
	Sinotruk Jinan Ganghua Import & Export Company		
	Sinotruk Shandong Import & Export Company		
Leasing of properties	Sinotruk Jinan Axle & Transmission Company	China Heavy Truck Group Company	Our controlling shareholder

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Transaction	Our group member	Connected person	Nature of relationship
	Sinotruk Jinan Truck Company	Qingdao Oriental Special Vehicle Company	Associate of China Heavy Truck Group Company
	Sinotruk Jinan Commercial Truck Company	Hangzhou Engine Factory	Subsidiary of China Heavy Truck Group Company
	Sinotruk Hangzhou Engine	China Heavy Truck Resources Supply Company	Associate of China Heavy Truck Group Company
	Sinotruk Shandong Import & Export Company	Vehicle Inspection Center	Subsidiary of China Heavy Truck Group Company
	Sinotruk Jinan Technical Center	Jinan Hua Wo Truck Corporation	Associate of China Truck Group Company
	Sinotruk Finance Company	Shandong Xinhai Guarantee Co., Ltd.	Associate of China Heavy Truck Group Company
	Sinotruk Jinan Power		

### Exempt Continuing Connected Transactions

#### *Patents Licensing Agreement*

In our manufacturing operations, we require the use of certain patents owned by China Heavy Truck Group Company. On November 3, 2007, China Heavy Truck Group Company entered into a patents licensing agreement (the “Patents Licensing Agreement”) with us whereby China Heavy Truck Group Company has granted a non-exclusive right for us to use the patents set out in “Appendix VII — Statutory and General Information — Further Information About Our Business — Intellectual property rights — Patents” (the “Licensed Patents”) in this prospectus. The Licensed Patents are currently used by China Heavy Truck Group Company (including its associates) and us. The Patents Licensing Agreement, where applicable, is subject to the shareholders’ approval of Sinotruk Jinan Truck Company as required by the Listing Rules of Shenzhen Stock Exchange.

Pursuant to the Patents Licensing Agreement, the Licensed Patents will be licensed at no cost to us for a term of three years commencing from November 1, 2007. Upon expiration of the term, we have the right to request a renewal by at least 90 days’ prior written notice. Should we request for a renewal of the Patents Licensing Agreement, China Heavy Truck Group Company will not be entitled to reject our request. The Patents Licensing Agreement only provides that we can terminate the Patents Licensing Agreement by giving a prior written notice of not less than 60 days. We will refer the termination, if any, of the Patents Licensing Agreement to our independent non-executive Directors for review. Our Directors have confirmed that the duration of the Patents Licensing Agreement is consistent with normal business practices and will secure long-term rights for us to use the Licensed Patents.

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We will use the Licensed Patents within the scope specified in the Patents Licensing Agreement. We have undertaken not to do anything which may have a negative impact on the proprietorship rights of China Heavy Truck Group Company over the Licensed Patents. We have also undertaken to assist China Heavy Truck Group Company in taking administrative or judicial proceedings to protect the Licensed Patents, to keep confidential information on the Licensed Patents and to ensure products produced by using the Licensed Patents are of the same or higher quality and standard as produced by China Heavy Truck Group Company using the Licensed Patents.

We may not sub-license the Licensed Patents to, or allow the use of the Licensed Patents by, any third party unless with prior written consent from China Heavy Truck Group Company. However, we are entitled to sub-license any of the Licensed Patents to our subsidiaries and associates provided that we consider the terms of such sub-licenses are not more favorable than the terms of the Patents Licensing Agreement.

Given that (a) the huge number of patents means that assignments of the Licensed Patents will involve extensive costs and expenses, including valuation costs, which can be time-consuming; (b) we are able to use the Licensed Patents pursuant to the Patents Licensing Agreement; and (c) there are protective provisions in the Patents Licensing Agreement, the Licensed Patents are not being transferred to us.

### *Trademarks Licensing Agreement*

We will continue to use certain trademarks owned by China Heavy Truck Group Company after the Listing. On November 3, 2007, China Heavy Truck Group Company entered into a trademarks licensing agreement (the “Trademarks Licensing Agreement”) with us whereby China Heavy Truck Group Company has granted a non-exclusive right for us to use the trademarks set out “Appendix VII — Statutory and General Information — Further Information About Our Business — Intellectual property rights — Trademarks” (the “Licensed Trademarks”) in this prospectus. The Licensed Trademarks are currently used by China Heavy Truck Group Company (including its associates) and us. The Trademarks Licensing Agreement, where applicable, is subject to the shareholders’ approval of Sinotruk Jinan Truck Company as required by the Listing Rules of Shenzhen Stock Exchange.

Pursuant to the Trademarks Licensing Agreement, the Licensed Trademarks will be licensed at no cost to us for a term of three years commencing from November 1, 2007. Upon expiration of the term, we have the right to request a renewal by at least 90 days’ prior written notice. Should we request a renewal of the Trademarks Licensing Agreement, China Heavy Truck Group Company will not be entitled to reject our request. Our Directors have confirmed that the duration of the Trademarks Licensing Agreement is consistent with normal business practices and will secure long-term rights for us to use the Licensed Trademarks.

We will use the Licensed Trademarks within the scope specified in the Trademarks Licensing Agreement. We have undertaken not to do anything which may have a negative impact on the proprietorship rights of China Heavy Truck Group Company over the Licensed Trademarks. We may not sub-license the Licensed Trademarks to, or allow the use of the Licensed Trademarks by, any third party unless with prior written consent from China Heavy Truck Group Company. However, we are

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entitled to sub-license any of the Licensed Trademarks to our subsidiaries and associates. China Heavy Truck Group Company and its subsidiaries and associates are entitled to use the Licensed Trademarks provided that China Heavy Truck Group Company may not allow any of its subsidiaries or associates to use the Licensed Trademarks whose business may be competing with ours.

### *Provision of Ancillary Services*

As a result of the Reorganization, we, mainly through our subsidiary, Sinotruk Jinan Axle & Transmission Company, will provide utilities services to China Heavy Truck Group Company (including its associates) after the Listing. The ancillary services provided include water supply, electricity supply and natural gas supply. In this regard, we have entered into an ancillary services agreement (“Ancillary Services Agreement”) with China Heavy Truck Group Company on November 3, 2007. The Ancillary Services Agreement, where applicable, is subject to the shareholders’ approval of Sinotruk Jinan Truck Company as required by the Listing Rules of Shenzhen Stock Exchange.

The term of the Ancillary Services Agreement is three years commencing on November 1, 2007. Pursuant to the Ancillary Services Agreement, we (including our subsidiaries) will provide ancillary services, including water supply, electricity supply and natural gas supply, to China Heavy Truck Group Company (including its associates). Should we provide the services to independent third parties in the future, we agree that we (including our subsidiaries) will supply the services to China Heavy Truck Group Company (including its associates) on terms equivalent to those we offer to independent third parties. Both parties will assess and determine the extent of the ancillary services required on an annual basis. We (including our subsidiaries) will provide the ancillary services at a consideration determined on basis of (a) the PRC government-proposed prices; or (b) if there are no PRC government-proposed prices, the market prices; or (c) if both parties do not agree on the market prices, cost plus a reasonable margin. The market prices are determined by reference to, among others, the prices at which similar services are charged by independent third parties.

The ancillary services in 2004 and 2005 were provided by Sinotruk Axle & Transmission Division, which was part of our Parent Company and as a result of the Reorganization, Sinotruk Axle & Transmission Division, together with other companies, became Sinotruk Jinan Axle & Transmission Company.

The ancillary services were provided for production use and domestic use by the staff of our Parent Company. The service fee received by Sinotruk Axle Power Factory for each of 2004 and 2005 was approximately Rmb 6,400,000. Since before 2006, meters for the services have not been fully installed, the historical figures for 2004 and 2005 cannot be relied upon as a reference for the bases of estimating the annual caps. Starting from 2006, upon the establishment of Sinotruk Jinan Axle & Transmission Company, meters were installed and the fees are charged based on the readings from the meters. For 2006 and the nine months ended September 30, 2007, the service fee was approximately Rmb 3,850,000 and Rmb 1,596,000 respectively.

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The following are our estimated annual caps of our ancillary services for the three years ending December 31, 2007, 2008 and 2009:

Year ending December 31, 2007	Year ending December 31, 2008	Year ending December 31, 2009
	(in Rmb)	
2,600,000	2,600,000	2,600,000

The service fee received for the nine months ended September 30, 2007 decreased because some of the staff of our Parent Company have moved to live in areas nearer to the city centre and the demand for ancillary services will be adjusted accordingly. We made the above estimate of annual caps with respect to historical figure for the nine months ended September 30, 2007.

### *Technology Support and Services Agreement*

As a result of the Reorganization, Sinotruk Jinan Technical Center became our subsidiary. China Heavy Truck Group Company (including its associates) will require technical support from us. On November 3, 2007, we (for ourselves and on behalf of our subsidiaries) entered into a technology support and services agreement (the “Technology Support and Services Agreement”) with China Heavy Truck Group Company (for itself and on behalf of its affiliates). The term of the Technology Support and Services Agreement is three years commencing from November 1, 2007. Pursuant to the Technology Support and Services Agreement, we (including our subsidiaries) will provide to China Heavy Truck Group Company (including its associates) services such as technology research and development, technology consultancy and support services. The Technology Support and Services Agreement, where applicable, is subject to the shareholders’ approval of Sinotruk Jinan Truck Company as required by the Listing Rules of Shenzhen Stock Exchange.

The specific terms of technology research and development and support services will be further determined by the parties in separate agreements on a case-by-case basis and the fees for technology research and development services will be based on cost plus a 10% margin. The ownership of the proprietorship rights of the patents derived from such technology research and development services will be determined pursuant to the terms of the separate agreements.

Before the Reorganization, the technology support and services were provided by Sinotruk Jinan Technical Center, which was then a subsidiary of China Heavy Truck Group Company. After the Reorganization, Sinotruk Jinan Technical Center became our subsidiary and started to provide the technology support and service to China Heavy Truck Group Company (including its associates) in late 2006. There were no historical figures on the fees relating to such technology consultancy and support services and technology research and development services received or provided for 2004, 2005, 2006 and the nine months ended September 30, 2007.

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The following are our estimated annual caps of the technology research and development and support services for the three years ending December 31, 2007, 2008 and 2009:

<u>Year ending December 31, 2007</u>	<u>Year ending December 31, 2008</u>	<u>Year ending December 31, 2009</u>
(in Rmb)		
1,500,000	1,500,000	1,500,000

The annual caps for the technology research and development and support services are based on (a) product research, testing and consulting of approximately Rmb 30,000 to Rmb 50,000 each unit and with approximately of not more than Rmb 500,000 each year; and (b) finished products and parts and components testings of Rmb 40 per kilometer and an estimate of not more than Rmb 1,000,000 each year.

### *Exemption from Reporting, Announcement and Independent Shareholders' Approval*

We estimate that the aggregate annual consideration under each of the transactions referred to under “— Exempt Continuing Connected Transactions — Patents Licensing Agreement” “— Trademarks Licensing Agreement”, “— Provision of Ancillary Services” and “— Technology Support and Services Agreement” above is less than 0.1% of each of the percentage ratios (other than the profits ratio) under Rule 14A.31(2)(a) of the Listing Rules. In addition, these connected transactions are on normal commercial terms. Therefore, they are exempted from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3)(a) of the Listing Rules. We will comply with the requirements under Chapter 14A of the Listing Rules should the exemption not be available for the above transactions.

### **Non-exempt Continuing Connected Transactions**

#### *Products Sales and Purchase Agreements*

Before the Listing, we have been purchasing refitted trucks (including specialty vehicles) from China Heavy Truck Group Company (including its associates) to mainly satisfy orders from overseas customers. China Heavy Truck Group Company (including its associates) has mainly been purchasing chassis from us and refitted the trucks purchased from us into other types of vehicles to satisfy orders from its customers. After the Listing, the transactions between us and China Heavy Truck Group Company (including its associates) will continue.



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In this regard, the following agreements have been entered into between us (for ourselves and on behalf of our subsidiaries) and China Heavy Truck Group Company (for itself and on behalf of its associates):

- a sales agreement between us (for ourselves and on behalf of our subsidiaries) as supplier and China Heavy Truck Group Company (for itself and on behalf of its associates) as purchaser on November 3, 2007 (the “Products Sales Agreement”); and
- a purchase agreement between China Heavy Truck Group Company (for itself and on behalf of its associates) as supplier and us (for ourselves and on behalf of our subsidiaries) as purchaser on November 3, 2007 (the “Products Purchase Agreement” which, together with the Products Sales Agreement, the “Products Sales and Purchase Agreements”).

Each of the Products Sales and Purchase Agreements is for a term of three years commencing on November 1, 2007. Pursuant to the Products Sales and Purchase Agreements, the parties agreed that (a) we will supply products include trucks, chassis and semi-tractor trucks to China Heavy Truck Group Company (including its associates); and (b) China Heavy Truck Group Company (including its associates) will sell products include refitted trucks to us. The Products Sales and Purchase Agreements, where applicable, are subject to the shareholders’ approval of Sinotruk Jinan Truck Company as required by the Listing Rules of Shenzhen Stock Exchange.

Pursuant to the Products Sales Agreement, we agreed that we will supply to China Heavy Truck Group Company (including its associates) products on terms which are equivalent to those offered by us to independent third parties. Similarly, pursuant to the Products Purchase Agreement, China Heavy Truck Group Company (including its associates) agreed that it will not supply to us (including our subsidiaries) products on terms less favorable than those China Heavy Truck Group Company (including its associates) offers to independent third parties. The consideration of the transactions will be (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin.

For 2004, 2005, 2006 and the nine months ended September 30, 2007, the costs of purchases by us (including our subsidiaries) from China Heavy Truck Group Company (including its associates) amounted to approximately Rmb 376.6 million, Rmb 398.6 million, Rmb 470.4 million and Rmb 387.8 million, respectively.

For 2004, 2005, 2006 and the nine months ended September 30, 2007, the costs of purchases by China Heavy Truck Group Company (including its associates) from us (including our subsidiaries) amounted to approximately Rmb 585.1 million, Rmb 294.7 million, Rmb 513.3 million and Rmb 357.1 million, respectively.

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The following are our estimated annual caps of our sales and purchases of trucks for the three years ending December 31, 2007, 2008 and 2009:

	Year ending December 31, 2007	Year ending December 31, 2008	Year ending December 31, 2009
	(in Rmb)		
Purchases by us from China Heavy Truck Group Company . . . . .	594,000,000	685,000,000	773,000,000
Purchases by China Heavy Truck Group Company from us. . . . .	640,000,000	586,000,000	654,000,000

During the Track Record Period, we purchased from China Heavy Truck Group Company (including its associates) mainly refitted trucks for export to overseas customers. Fluctuations in the costs of purchase by China Heavy Truck Group Company (including its associates) from us (including our subsidiaries) in 2005 and 2006 are in line with the market situation as a result of government policies and measures. Please refer to the paragraph “Risk Factors — Risks Relating to Heavy Truck Industry in China — We operate in a cyclical industry and other results of operations tend to fluctuate with the performance of the PRC industrial sector and overall economic development in China”. The estimated annual cap for our purchases from China Heavy Truck Group Company (includes its associates) for the year ending December 31, 2007 is expected to increase by approximately 26.4% from that in 2006, which we believe is in line with the market increase in 2007.

We expect that infrastructure and resettlement works in cities to increase. Commensurate with these increases, there will be increasing demands for trucks in infrastructure and construction industries etc. China Heavy Truck Group Company (includes its associates) is expected to continue to purchase our trucks and chassis and refit our products into other types of trucks to satisfy the market demands. The estimated annual cap for purchases by China Heavy Truck Group Company (includes its associates) from us for the year ending December 31, 2007 is expected to increase by approximately 24.8% from that in 2006. The expected increase is mainly due to an addition of one-time large order which is expected to be included in our sales towards the end of 2007. Accordingly, the estimated annual caps for 2008 and 2009 do not take into account such single order.

We have made the above estimate of annual caps with respect to our mutual sale and purchase of truck products on the basis of factors such as expected growth of productions, expected increases in demand for truck products and our plan of future development in a range between 10% and 15%.

Pursuant to the Listing Rules, the Products Sale Agreement and the Products Purchase Agreement are subject to the announcement and shareholders’ approval requirements.

### *Mutual Supply Agreements*

Before the Listing, we have been purchasing parts and components and semi-finished products such as beams and panels, which are not crucial to truck manufacturing and can be obtained from sources other than from our Parent Company, from China Heavy Truck Group Company (including its

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associates). China Heavy Truck Group Company (including its associates) has been purchasing parts and components and semi-finished products such as axles and engines from us. After the Listing, the transactions between us and China Heavy Truck Group Company (including its associates) will continue.

In this regard, the following agreements have been entered into between us (for ourselves and on behalf of our subsidiaries) and China Heavy Truck Group Company (for itself and on behalf of its associates):

- a sales agreement between us (for ourselves and on behalf of our subsidiaries) as supplier and China Heavy Truck Group Company (for itself and on behalf of its associates) as purchaser on November 3, 2007 (the “Parts Supply Agreement”); and
- a purchase agreement between China Heavy Truck Group Company (for itself and on behalf of its associates) as supplier and us (for ourselves and on behalf of our subsidiaries) as purchaser on November 3, 2007 (the “Parts Purchase Agreement”, which together with the Parts Supply Agreement, the “Mutual Supply Agreements”).

Each of the Mutual Supply Agreements is for a term of three years commencing on November 1, 2007. Pursuant to the Mutual Supply Agreements, the parties agreed that (a) we will supply raw materials, parts and components and semi-finished products to China Heavy Truck Group Company (including its associates); and (b) China Heavy Truck Group Company (including its associates) will provide to us (including our subsidiaries) raw materials, parts and components and semi-finished products. The Mutual Supply Agreements, where applicable, are subject to the shareholders’ approval of Sinotruk Jinan Truck Company as required by the Listing Rules of Shenzhen Stock Exchange.

Pursuant to the Mutual Supply Agreements, we have agreed that we will supply to China Heavy Truck Group Company (including its associates) any of the raw materials, parts and components and semi-finished products stipulated therein on terms which are equivalent to those we offer to independent third parties. Similarly, China Heavy Truck Group Company (including its associates) has agreed that it will not supply to us (including our subsidiaries) any of the raw materials, parts and components and semi-finished products stipulated therein on terms less favorable than those China Heavy Truck Group Company (including its associates) offers to independent third parties. The consideration of the transactions will be based on (a) prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin.

For 2004, 2005, 2006 and the nine months ended September 30, 2007, the costs of purchases by us (including our subsidiaries) from China Heavy Truck Group Company (including its associates) amounted to approximately Rmb 1,677.9 million, Rmb 1,389.5 million, Rmb 33.2 million and Rmb 115.2 million, respectively.

For 2004, 2005, 2006 and the nine months ended September 30, 2007, the costs of purchases by China Heavy Truck Group Company (including its associates) from us (including our subsidiaries) amounted to approximately Rmb 240.8 million, Rmb 767.4 million, Rmb 430.2 million and Rmb 596.6 million, respectively.

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The following are our estimated annual caps of our mutual supplies and purchases for the three years ending December 31, 2007, 2008 and 2009:

	<u>Year ending</u> <u>December 31, 2007</u>	<u>Year ending</u> <u>December 31, 2008</u>	<u>Year ending</u> <u>December 31, 2009</u>
	(in Rmb)		
Purchases by us from China Heavy Truck Group Company . . . . .	165,000,000	175,000,000	201,000,000
Purchases by China Heavy Truck Group Company from us . . . . .	782,000,000	923,000,000	1,064,000,000

The increase in our purchases of parts and components from China Heavy Truck Group Company (including its associates) in 2004 and 2005 was in line with the increase in our production and due to purchases from Weichai Factory and Weichai Power. The drastic decrease in our purchases in 2006 was mainly due to cessation of transactions with Weichai Factory and Weichai Power. The estimated annual cap for our purchases of parts and components from China Heavy Truck Group Company (includes its associates) is expected to have a drastic increase from that in 2006 because most of our customers for trucks in the first half of 2007 have specifically requested to install oil-immersed filters, a more costly part and component. In addition, the production volume of HOWO series is expected to increase by approximately 80% in 2007, and correspondingly our increase in purchases for parts and components.

The drastic increase in purchases by China Heavy Truck Group Company (including its associates) in 2004 and 2005 was mainly due to purchases by Weichai Factory and Weichai Power from Hangzhou Engine Factory. Transactions with Weichai Factory and Weichai Power ceased in 2006 as a result of the Reorganization, which contributed to the decrease in purchases from us in 2006. The estimated annual caps for purchases by China Heavy Truck Group Company (includes its associates) from us for 2007, 2008 and 2009 are based on the increase in market demand for trucks in 2007.

We have made the above estimate of annual caps with respect to our mutual supply and purchase of goods and products on the basis of factors such as the historical purchase amounts, in particular, by reference to the figures for the nine months ended September 30, 2007, cessation of transactions with Weichai Factory and Weichai Power, expected growth of productions, expected increases in demand for goods and products and increases in production capacity in a range between 10% and 20%.

Pursuant to the Listing Rules, the Parts Supply Agreement is subject to announcement and independent shareholders' approval requirements, and the Parts Purchase Agreement is subject to the announcement requirement.

### *Purchase of Services*

China Heavy Truck Group Company (including its associates) has been providing services such as property management, transportation, staff training, medical services and products testing and improvement services to us (including our subsidiaries). After the Listing, the supply of services by China Heavy Truck Group (including its associates) to us (including our subsidiaries) will continue.

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To our knowledge, our Parent Company is the only qualified entity in Jinan, Shandong Province, the PRC to provide testing services on trucks.

We are required to provide medical services to our staff under the staff medical insurance plan and such services are to be provided by hospitals designated by the relevant authorities. The hospital and medical services under our Parent Company have not been included in our group as a result of the Reorganization because they do not relate to our core business, but will remain in our Parent Company, which has been designated and will continue to provide medical services to our staff after Listing. In particular, the medical centres currently established by our Parent Company will continue to provide medical services to our staff who work in production facilities not located in urban area.

Some of our production facilities have no public transportation access and it will be more cost and administration effective to continue the transportation services provided by our Parent Company after the Listing instead of sourcing another supplier.

In this regard, we (for ourselves and on behalf of our subsidiaries) and China Heavy Truck Group Company (for itself and on behalf of its associates) have entered into a service agreement on November 3, 2007 whereby China Heavy Truck Group Company (including its associates) will continue to provide services such as property management, transportation, staff training, medical services and products testing and improvement services to us (including our subsidiaries) (the “General Services Purchase Agreement”). The General Services Purchase Agreement, where applicable, is subject to the shareholders’ approval of Sinotruk Jinan Truck Company.

The General Services Purchase Agreement is for a term of three years commencing on November 1, 2007. Pursuant to the General Services Purchase Agreement, China Heavy Truck Group Company (including its associates) has agreed that it will not provide any of the services to us (including our subsidiaries) on terms less favorable than those China Heavy Truck Group Company (including its associates) offers to independent third parties. The consideration of the transactions will be based on (a) prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin.

China Heavy Truck Group Company (including its associates) has been providing most of the services to us at no cost before 2006. The historical amount on service fees received by China Heavy Truck Group Company (including its associates) for the whole Track Record Period cannot be relied for reference. For 2004, 2005, 2006 and the nine months ended September 30, 2007, the services fees received by China Heavy Truck Group Company (including its associates) amounted to approximately Rmb 20.9 million, Rmb 36.7 million, Rmb 101.2 million and Rmb 75.8 million, respectively. Before 2006, most of the services provided by China Heavy Truck Group Company (including its associates) were provided free of charge, so the historical figures cannot be used as a reference.

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The following are our estimated annual caps of our purchase of services for the three years ending December 31, 2007, 2008 and 2009:

Year ending December 31, 2007	Year ending December 31, 2008	Year ending December 31, 2009
(in Rmb)		
109,000,000	114,000,000	109,000,000

The service fees received by China Heavy Truck Group Company (including its associates) in 2006 did not account for the whole-year service fees because service fees for certain services such as services provided to Jinan Power Company commenced in July 2006. As such, the 2006 historical figures cannot be used as a basis for estimating or justifying the annual caps.

We made the above estimate of annual caps of our purchase of services with respect to factors such as the amount of service fees fixed in the existing agreements (with staff training expenses of approximately Rmb1.8 million, and property management services of approximately Rmb 20.0 million), increases in demand and frequencies for staff transportation services because of the relocation of the production facilities, the estimated medical expenses of Rmb1,000,000 per annum based on staff head-counts, plus an expected change within 10% of the expenses. The estimated annual cap for 2009 decreases from that in 2008 because relocation of our production facilities is expected to be completed and some services from our Parent Company to Sinotruk Jinan Commercial Truck Company on the existing production facilities are expected to cease.

Pursuant to the Listing Rules, the General Services Purchase Agreement is subject to the announcement requirement.

### *Leasing Agreements*

Our subsidiaries have entered into leasing agreements with China Heavy Truck Group Company (including its associates) in relation to the properties they lease from and to China Heavy Truck Group Company (including its associates) (the “Leasing Agreements”). Details of the Leasing Agreements are as follows:

#### Leases from China Heavy Truck Group Company (including its associates)

Date of agreement	Landlord	Tenant	Rental (per annum or contract sum)	Properties	Term	User
June 1, 2006 . . .	China Heavy Truck Group Company	Sinotruk Jinan Axle & Transmission Company	Rmb 3,323,930.19	1. 85 Jianshe Road, Shizhong District, Jinan  2. Dangjiashuang Town, Shizhong District, Jinan	Three years from June 1, 2006	Production

## CONNECTED TRANSACTIONS

Date of agreement	Landlord	Tenant	Rental (per annum or contract sum)	Properties	Term	User
July 1, 2007 . . .	China Heavy Truck Group Company	Sinotruk Jinan Truck Company	Rmb 2,086,306.20*	Dangjiazuang Town, Shizhong District, Jinan and 2 units located in Beijing and Shenyang respectively	Six months from July 1, 2007	Production and Office
May 31, 2005 . .	Qingdao Oriental Special Vehicle Company, an associate of China Heavy Truck Group Company	Sinotruk Jinan Truck Company	Rmb 35,000	871 Chongqing Zhong Road, Qingdao	Three years from May 31, 2005	Sales services
July 1, 2007 . . .	China Heavy Truck Group Company	Sinotruk Jinan Commercial Truck Company	Rmb 4,314,624.08*	1. 195 Majiazhuang, Tianqiao District, Jinan 2. 158 Daqiao Road, Licheng District, Jinan 3. Dangjiazuang Town, Shizhong District, Jinan 4. 988 Zhongqi Huanghe Road, Jinan Economy and Development Zone	Six months from July 1, 2007	Production  Production and office  Production  Production
July 11, 2007 . .	Hangzhou Engine Factory	Sinotruk Hangzhou Engine	Rmb 7,830,000*	66 Hushu South Road, Gongshu District, Hangzhou	From July 1, 2007 to May 31, 2008	Production and office
July 11, 2007 . .	Hangzhou Engine Factory	Hangzhou Automobile Engine Foundry Co., Ltd.	Rmb 4,270,000	229 Shixiang Road, Hangzhou	From July 1, 2007 to June 30, 2008	Production
July 3, 2006 . . .	China Heavy Truck Resources Supply Company, an associate of China Heavy Truck Group Company	Sinotruk Shandong Import & Export Company	Rmb 736,938	36-1 Wuyingshan Zhong Road, Tianqiao District, Jinan	Three years from July 3, 2006	Office
July 1, 2006 . . .	China Heavy Truck Group Company	Sinotruk Jinan Technical Center	Rmb 951,518.70	159 Yingxiongshan Road, Shizhong District, Jinan	Three years from July 1, 2006	Research and development

\* These rentals refer to the contract sum.

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## CONNECTED TRANSACTIONS

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The renewal term of six months for the second and fourth leases listed above aims to provide us flexibility in connection with the relocations being carried out by the tenants.

### Leases to China Heavy Truck Group Company (including its associates)

Date of agreement	Landlord	Tenant	Rental (per annum)	Properties	Term	User
July 1, 2007 . . .	Sinotruk Finance Company	Shandong Xinhai Guarantee Co., Ltd.	Rmb 149,472	39 Wuyingshan East Road, Jinan	One year from July 1, 2007	Office
July 1, 2006 . . .	Sinotruk Jinan Power	Jinan Automobile Test Center	Rmb 630,550.80	165 Yingxiongshan Road, Shizhong District, Jinan	Three years from July 1, 2006	Office
May 28, 2007 . . .	Sinotruk Jinan Truck Company	Jinan Hua Wo Truck Corporation	Rmb 1,594,320	Dangjiazuang Town, Shizhong District, Jinan	Five years from September 2, 2003	Production
May 28, 2007 . . .	Sinotruk Jinan Power	Jinan Hua Wo Truck Corporation	Rmb 1,456,350	Dangjiazuang Town, Shizhong District, Jinan	Five years from September 2, 2003	Production

The rentals payable or received by our subsidiaries to China Heavy Truck Group Company (including its associates) under the Leasing Agreements are determined at arms' length and reflect market rates. Our subsidiaries and China Heavy Truck Group Company entered into the Leasing Agreements on normal commercial terms. Sallmanns (Far East) Limited, an independent valuer, has confirmed that the rentals payable or received by our subsidiaries under the Leasing Agreements are fair and reasonable.

Pursuant to the Listing Rules, the Leasing Agreements (in aggregate) are subject to the announcement requirement.

### Waivers from Announcement and Independent Shareholders' Approval

After the Listing, we will continue to carry on the transactions described in “— Non-exempt Continuing Connected Transactions” above, which will constitute non-exempt continuing connected transactions under the Listing Rules. Pursuant to the Listing Rules, the transactions under the Products Sales Agreement, the Products Purchase Agreement and the Parts Supply Agreement would normally require full reporting, announcement and prior approval by independent shareholders. The transactions under the Parts Purchase Agreement, the General Services Purchase Agreement and the Leasing Agreements (in aggregate) would normally require full reporting and announcement, as each of the percentage ratios (other than profits ratio) calculated by reference to Rule 14.07 of the Listing Rules is expected on an annual basis to be (i) less than 2.5% or (ii) less than 25% and the total consideration is less than HK\$10,000,000. In addition, our Directors (including the independent non-executive Directors) confirm that it is in the interests of our company to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are more favorable in the ordinary and usual course of business and are fair and reasonable and in the interests of our Shareholders as a whole.



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## CONNECTED TRANSACTIONS

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On the above basis, we have applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt:

- the non-exempt continuing connected transactions described in the transactions under the the Products Sales Agreement, the Products Purchase Agreement and the Parts Supply Agreement above from strict compliance with the announcement and independent shareholders' approval requirements, and
- the non-exempt continuing connected transactions described in transactions under the Parts Purchase Agreement, the General Services Purchase Agreement and Leasing Agreements (in aggregate) above from strict compliance with the announcement requirement of the Listing Rules,

subject to (i) the Directors undertaking that we would comply with the applicable requirements under Chapter 14A of the Listing Rules for the three years ending December 31, 2009; and (ii) the aggregate value of each of the non-exempt continuing connected transactions described above for each financial year not exceeding the relevant cap set above.

The Directors are of the view that the annual caps of all the non-exempt continuing connected transactions described in “— Non-exempt Continuing Connected Transactions” above are fair and reasonable.

### **Confirmation from the Joint Sponsors and our Directors**

The Joint Sponsors have taken into account the relevant documentation, information and historical figures provided by us, and have participated in due diligence and discussions with us, to satisfy themselves of the reliability of the information provided in relation to the connected transactions described in this “Connected Transactions” section. Accordingly, the Joint Sponsors and our Directors (including the independent non-executive Directors) are of the view that (i) each of the continuing connected transactions described in the “Connected Transactions” has been entered into in the ordinary and usual course of our business on normal commercial terms and the terms of such transactions are fair and reasonable as far as we are concerned and are in the interests of our Shareholders as a whole and (ii) that the proposed annual caps for these non-exempt continuing connected transactions referred to in “— non-exempt Continuing Connected Transactions” above for which waiver is sought are fair and reasonable, taken as a whole.