
RELATIONSHIP WITH THE PARENT COMPANY

Immediately prior to the Global Offering, our Parent Company, through Sinotruk (BVI), owned 100% of the share capital of our company. Upon completion of the Global Offering, public investors will own approximately 31.9% of our issued share capital, NSSF will own approximately 3.2% of our issued share capital, and our Parent Company, through Sinotruk (BVI), will own and control approximately 64.9% of our share capital assuming the Over-allotment Option is not exercised (or public investors will own approximately 35% of our issued share capital, NSSF will own approximately 3.5% of our issued share capital, and our Parent Company will indirectly own approximately 61.5% of our issued share capital if the Over-allotment Option is exercised in full) and will be our largest and indirect controlling shareholder. As of the Latest Practicable Date, the ultimate beneficial owner of our Parent Company is the Shandong provincial government.

Pursuant to the Reorganization, our Parent Company injected all of its core heavy truck and engine manufacturing and related businesses into our company. Following the Reorganization, other than China Heavy Truck Group Jining Commercial Vehicle Co., Ltd. and Jinan Hua Wo Truck Corporation described below, our Parent Company has retained the ownership of businesses of manufacturing of buses and specialty vehicles and property management, which are insignificant to us. For the three years ended December 31, 2006 and the nine months ended September 30, 2007, the turnover of the buses produced by the Parent Company amounted to approximately Rmb 49.3 million, Rmb 55.0 million, Rmb 43.1 million and Rmb 60.5 million respectively. The technology and procedures used in manufacture of heavy trucks and buses are different from each other even though parts and components, such as engines and axles, can be commonly used in the manufacture of both heavy trucks and buses.

With segregate business segments, different markets, target customers and products, we believe we do not compete with the business of our Parent Company.

Subsequent to the Reorganization, China Heavy Truck Group Company continues to hold interests in the following companies whose principal business may directly or indirectly compete with ours.

- CNHTC Jining Commercial Truck Co., Ltd., or Jining Company

As of the Latest Practicable Date, our Parent Company owned 51% equity interests in Jining Company with the remaining 36% equity interests held by Yankuang Group Company Limited and remaining 13% by Jining Mine Group Company Limited. Both minority equity holders are independent enterprises established in China. Jining Company was incorporated in China in January 2005 and is principally engaged in the manufacture and sale of commercial vehicles mainly for customers in the coal industry. The board of directors of Jining Company currently consists of nine directors, four of whom were appointed by our Parent Company. As of the Latest Practicable Date, the directors of Jining Company appointed by the Parent Company were Li Xiuquan, Qian Zhusheng, Tang Hongrong and Sun Jianpo, who do not hold any of our management positions, and there is no over-lap of directors and senior management between us and Jining Company.

Our Directors believe that we are capable of, and have been, carrying on our business of manufacturing heavy trucks and related parts and components independently of, and at arm's length from, the business of Jining Company. Jining Company, with a registered capital of Rmb 100,000,000,

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started its business operations in 2005. In 2005, Jining Company recorded a turnover of Rmb 6.6 million and made a loss of approximately Rmb 1.4 million. In 2006, Jining Company made a loss of approximately Rmb 26.9 million and recorded a turnover of approximately Rmb 250.4 million. For the nine months ended September 30, 2007, Jining Company made a loss of approximately Rmb 8.6 million and recorded a turnover of approximately Rmb 521.8 million. As Jining Company is a company established in 2005 and had not recorded any profit, our Parent Company has not reached any agreed terms with the other shareholders of Jining Company with respect to the transfer by our Parent Company of its interests in Jining Company to us before the Reorganization. Jining Company has not therefore become a part of our company. Our Directors are also of the view that the extent of competition with the business of Jining Company will not have a material impact on our business as a whole.

It is not expected that the parties may reach any agreed terms with respect to the transfer by our Parent Company of its interests in Jining Company to us before the Listing. In the future, we will consider acquiring the interests in Jining Company and will continue to negotiate with the other shareholders of Jining Company if there is any change in the performance of the business, prevailing market conditions and business objectives. It is not our present intention to use proceeds from the Global Offering to acquire interests in Jining Company should the acquisition take place.

Pursuant to the Non-competition Undertaking as described below, after the Listing, we may exercise our option to acquire Jining Company at any time when we consider it beneficial to do so and the other shareholders of Jining Company consent to such transfer. We will strictly follow the procedures set out under “Corporate Governance” in this prospectus when exercising the option and implementing the Non-competition undertaking.

- Jinan Hua Wo Truck Corporation, or Hua Wo

As of the Latest Practicable Date, our Parent Company owned 50% interests in Hua Wo, a Sino-foreign equity joint venture established in China in July 2003 with a registered capital of US\$72,290,000. The remaining 50% interests of Hua Wo are held by two independent third parties controlled by Volvo Truck Corporation. This joint venture was approved by the NDRC in 2003.

Hua Wo is principally engaged in the manufacture and sale of high-end heavy trucks in China. Hua Wo heavy trucks are currently assembled from Volvo CKD packages and their average prices are three to four times higher than the average prices of our heavy trucks. The board of directors of Hua Wo currently consists of four directors, two of whom are appointed by our Parent Company. As of the Latest Practicable Date, the directors of Hua Wo appointed by our Parent Company were Li Guoxing and Zhang Houqin, who are not members of our management team, and there is no over-lap of directors and senior management between us and Hua Wo.

Our Directors consider that we are capable of, and have been, carrying on our business of manufacturing heavy trucks and related key parts and components independently of, and at arm's length from, the business of Hua Wo. As a joint venture established in China by our Parent Company with foreign investors, Hua Wo has a business objective different from ours. Hua Wo currently is managed by its foreign shareholders and our Parent Company remains a passive investor. In each of 2004 and 2005, our Parent Company received a dividend of approximately Rmb 3,000,000. For

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2004, 2005 and 2006, Hua Wo had a turnover of approximately Rmb 274.0 million, Rmb104.7 million and Rmb 150.9 million respectively and a profit of approximately Rmb 15.6 million, Rmb 8.9 million and Rmb 1.8 million. For the nine months ended September 30, 2007, Hua Wo had unaudited nil turnover and a loss of approximately Rmb 9.0 million. Due to the difficulties in obtaining consents from the foreign shareholders to allow our Parent Company to transfer its interests in Hua Wo to us during the Reorganization and any change in shareholders of Hua Wo is to be approved by the relevant government approval authority, Hua Wo remains outside our company. Furthermore, because the business objectives of Hua Wo are different from ours and its target markets different from ours, our Directors are of the view that the extent of competition with the business of Hua Wo will not have a material impact on our business as a whole.

Pursuant to the Non-competition Undertaking as described below, after the Listing, we may exercise our option to acquire the 50% ownership that our Parent Company currently holds in Hua Wo at any time when (i) we consider it beneficial to do so and (ii) the foreign shareholders consent to such transfer and waive their right of first refusal under the joint venture agreement and the PRC laws governing equity joint ventures. We will strictly follow the procedures set out under “Corporate Governance” of this prospectus when exercising the option and implementing the Non-competition Undertaking.

We expect that consent from the other shareholders of Hua Wo for the transfer by our Parent Company of its interests in Hua Wo will not be obtained in the short term. In the future, we will not rule out the possibility of acquiring interests in Hua Wo if it is practicable and beneficial to us as a whole. From time to time, we will continue to negotiate with the other shareholders of Hua Wo if there is any change in the performance of the business, prevailing market conditions and business objectives. It is not our present intention to use proceeds from the Global Offering to acquire interests in Hua Wo should the acquisition take place.

Non-competition Undertaking

In connection with the Global Offering, pursuant to the Non-competition Undertaking, China Heavy Truck Group Company has irrevocably and unconditionally undertaken with us (for ourselves and on behalf of each of our subsidiaries) that, with effect from the Listing Date:

- if China Heavy Truck Group Company (or its associates) plans to participate or engage in any new activities or new business which may directly or indirectly compete with the Restricted Business (as defined below), China Heavy Duty Group Company will give us a first right of refusal to participate or engage in these new activities or new business and will not participate or engage in these activities unless with our prior written consent;
- if China Heavy Truck Group Company (or its associates) becomes aware of a business opportunity which directly or indirectly competes, or may lead to competition, with the Restricted Business, it will notify us of such business opportunity immediately upon becoming aware of such opportunity. China Heavy Truck Group Company is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms and conditions no less favorable than those offered to China Heavy Truck Group Company, any of its associates or any other third party;

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- at any time so long as the Non-competition Undertaking remains valid and subject to the compliance with all legal requirements and satisfaction of all conditions, we have the option at any time to purchase, and have the first right of refusal to purchase, (i) the equity interests held by China Heavy Truck Group Company in Jining Company and Hua Wo (as the case may be) and (ii) any business of China Heavy Truck Group Company (including its subsidiaries and associates) which is in direct or indirect competition with the Restricted Business;
- should we be unable to exercise the option under the Non-competition Undertaking for reasons beyond our control and our independent non-executive Directors decide that the Non-competition Undertaking is no longer sufficient to protect the interests of our Shareholders as a whole, China Heavy Truck Group Company will take appropriate measures, including possible disposal of its interests, to avoid any conflicts of interests;
- if China Heavy Truck Group Company becomes aware of any matter of potential conflicts of interests between it and our company, in particular, a transaction between it and our company, China Heavy Truck Group Company will keep our board (including our independent non-executive Directors) informed of the matter on a timely basis; and
- in the case of Jining Company, China Heavy Truck Group Company will, in its capacity as a controlling shareholder, use its best endeavours to procure Jining Company to minimize or avoid any competition with our company in respect of its future development (including expansion of its customer base).

We will recommend our exercise of the first right of refusal to participate in new business opportunities and the option to purchase any business of China Heavy Truck Group Company under the Non-competition Undertaking to our independent non-executive Directors, and we will not exercise such first right of refusal or the option unless with the consent of our independent non-executive Directors. There were no pre-determined terms as to the exercise of the option to purchase any business of China Heavy Trucks Group Company under the Non-competition Undertaking. When considering whether or not to exercise our option at any time to purchase and our first right of refusal to purchase any business of China Heavy Truck Group Company under the Non-competition Undertaking, our independent non-executive Directors will consider, among others, the following factors:

- the valuation of the relevant business;
- the performance of the relevant business;
- the compatibility of the strategy of the relevant business with ours;
- the prevailing market conditions;
- our available resources; and
- other options available to us to purchase similar businesses from third parties or establish similar businesses.

As used in this “Relationship with the Parent Company” section, “Restricted Business” refers to the business of research, development, manufacture and sale of heavy trucks and related parts and components and other businesses as conducted by us or any of our subsidiaries as of the Listing Date and in the future.

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The Non-competition Undertaking will become effective on the Listing Date and remain effective until the earliest of:

- China Heavy Truck Group Company is no longer a controlling shareholder of our company; or
- our Shares are no longer listed on the Stock Exchange; or
- we and our subsidiaries cease to carry on the Restricted Business or the Restricted Business ceases to be a major business of ourselves and our subsidiaries.

We and China Heavy Truck Group Company have agreed that all new competing businesses which may be entered into by China Heavy Truck Group Company and which are considered to be material for disclosure by our Directors will be disclosed by way of an announcement. China Heavy Truck Group Company will provide annual confirmation for the compliance of the Non-competition Undertaking. We will include such confirmation in our annual report.

Our Directors confirm that the business not injected into our company as a result of the Reorganization will operate independently from our company, in particular, in the following aspects:

- *Management Independence.* The directors and senior management of the subsidiaries and associates of our Parent Company do not have substantial overlapping with that of our company and they are under independent management.

Three members of our Board of Directors, namely, Mr. Ma Chunji, Mr. Wang Haotao and Mr. Wang Guangxi, are also directors of our Parent Company. Mr. Ma Chunji, being our chairman and the chairman to our Parent Company, will be principally responsible for the overall strategy and development of our company and our Parent Company. Mr. Wang Haotao is one of our executive Directors and vice president is a member of the board of directors of our Parent Company. Mr. Wang Haotao will be principally responsible for our group's production management and procurement. Mr. Wang Haotao's main role in our Parent Company is to be responsible for the co-ordination of the refitting business, which remains in our Parent Company. Mr. Wang Guangxi is one of our executive Directors and a member of the board of directors and chief accountant of our Parent Company. Mr. Wang Guangxi is principally responsible to oversee the risk management and control of our group. Mr. Wang Guangxi is mainly responsible to do the liaison and co-ordination works with local government authorities on behalf of our Parent Company. Mr. Ma Chunji, Mr. Wang Haotao and Mr. Wang Guangxi will allocate substantial part of their time to the operation and management of our group.

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Despite the fact that some of our executive Directors are also directors of our Parent Company, we are of the view that there are sufficient and effective control mechanism to enable our Directors to discharge their duties appropriately, avoid potential conflicts of interest and safeguard the interests of our Shareholders as a whole on the following grounds:

- the core business of manufacture and sale of trucks has been injected into our company and the businesses between us and that of our Parent Company are of two different business segments with different markets, target customers and products, except Jining Company and Hua Wo. Foreseeable conflicts of interests will arise only with respect to matters involving Jining Company and Hua Wo or connected transactions with our Parent Company (including its associates). As stated in the paragraph headed “Relationship with the Parent Company — Corporate Governance”, any matters of potential conflicts of interests will be deferred to the decision of our independent non-executive Directors and the interested Directors will be abstained from voting, not to be counted in the quorum and not to attend in the discussion (unless his attendance is specifically invited by the disinterested Directors) of the relevant decision. In addition, the directors of Jining Company and Hua Wo do not over-lap with any of our Directors;
- the non-over-lapping Directors and the independent non-executive Directors together will compose more than majority of our Board;
- a system of stringent corporate governance has been adopted by our company to ensure the implementation of the Non-competition Undertaking, deal with potential conflicts of interests and safeguard the interests of our Shareholders as a whole. Details of the corporate governance has been summarized in “Relationship with the Parent Company — Corporate Governance”;
- there is no over-lap of the directors and senior management of the key subsidiaries of the Parent Company (not included in our group) and our subsidiaries; none of the over-lapping Directors has any shareholding interests in our company or our Parent Company. Their appointments to our Parent Company are made by the government and their duties are limited to managing the organization in accordance with the instructions of the government, who is the ultimate shareholder;
- the over-lapping Directors will allocate substantially all their time to our management and operation and will continue to undertake the same duties as before the Reorganization, being mainly responsible for the core business of manufacture and sales of heavy trucks; and
- all our executive Directors, including the over-lapping Directors, will only receive their remuneration, benefits and rewards from our group.

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- *Operational Independence.* As a result of the Reorganization, save Jining Company and Hua Wo, the core business of manufacturing and sales of heavy trucks and related business was transferred to and injected into our company. The principal businesses of our Parent Company and our company are segregated and are of different business segments, markets and products, and therefore, different operating and development strategies.

With respect to the potential competition with Jining Company and Hua Wo, given their relatively small size of operations as compared to ours, our Directors are of the view that extent of competition with their business will not have a material impact on our business as a whole. In addition, we have adopted a robust system of corporate governance to manage potential conflicts of interests, if any, between us and China Heavy Truck Group Company.

We will continue to have continuing connected transactions with China Heavy Truck Group Company (including its associates) after the Listing. Details of the continuing connected transactions are set out in the section under “Connected Transactions”. Despite the continuation of the connected transactions, we will be able to function and operate independently from China Heavy Truck Group Company (including its associates) on the following grounds:

- Patents Licensing Agreement and Trademarks Licensing Agreement — our subsidiary, Sinotruk Jinan Technical Center, will engage in the research and development and all intellectual property rights will be registered in our name after our incorporation.
 - Leasing Agreements — some of the leases are of very short duration and these are transitional arrangement during the re-allocation period of our production facilities.
 - Provision of ancillary services — it is we who provides the services and the service fees are minimal compared to our total turnover.
 - Products and parts sales and purchases — the costs of purchases and income from sales are of not more than 6% of our turnover for the year ended December 31, 2006. In addition, it is not difficult to find substitute suppliers and customers.
 - Purchase of services — the costs of purchases of services is less than 1% of our turnover for the year ended December 31, 2006.
- *Financial Independence.* Our company and our Parent Company will be financially independent and as of the Latest Practicable Date, all guarantees and loans provided by and from our Parent Company were discharged and released.

Corporate Governance

To ensure the enforcement of the Non-competition Undertaking and to better protect the interests of our Shareholders as a whole, we have adopted a corporate governance system to manage the potential conflicts of interests between us and China Heavy Truck Group Company.

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Not less than one-third of our Board will consist of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. We will ensure that our independent non-executive Directors are of sufficient calibre, knowledge and experience, have no connection or relationship with us or our connected persons and will carry weight in our decision-making process.

We have adopted the following decision-making procedures for matters or transactions of potential conflicts of interests between us and China Heavy Truck Group Company, including matters relating to Jining Company and Hua Wo:

- any of our Directors with duties in our Parent Company will not vote or be counted in the quorum on any resolutions of our board of directors relating to our transactions (including the exercise of the options to acquire Jining Company and Hua Wo under the Non-Competition Undertaking) with our Parent Company;
- any of our Directors who shall not vote or be counted in the quorum shall not attend the relevant part of the board meeting or participate in the discussions on the relevant resolution unless his attendance and participation are specifically invited by the disinterested directors, but subject to the aforesaid restrictions on voting and being counted in the quorum on the relevant resolution;
- any new activities and opportunities under the Non-competition Undertaking (including the exercise of the option) and all matters determined by the Board as inherent with potential conflict of interests will be deferred to our independent non-executive Directors for discussions and decision and when necessary, they will employ an independent financial adviser to advise them on these matters;
- our annual report will include the views and decisions, with basis, of our independent non-executive Directors on any new activities and opportunities under the Non-competition Undertaking or matters inherent with potential conflict of interests with China Heavy Truck Group Company referred to them;
- depending on factors including the performance of the business and prevailing market conditions and consent of the other counterparties of Jining Company and Hua Wo, we intend to exercise the options under the Non-competition Undertaking within three years from the Listing Date. Before we exercise the options, our independent non-executive Directors will have the discretion to determine whether it is in our interests and the interests of our Shareholders to exercise the options. Our independent non-executive Directors may, where necessary and at our cost, engage an independent financial adviser to advise them. We will inform our Shareholders of the decisions and views of our independent non-executive Directors by means of an announcement;
- should we be unable to exercise the options for reasons beyond our control, we will defer the matter for decision to the independent non-executive Directors, who will retain an independent financial adviser for further advice. Should our independent non-executive Directors decide that the Non-competition Undertaking is no longer sufficient to protect

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the interests of our Shareholders as a whole, we will take appropriate measures, including disposal by our Parent Company of its interests pursuant to the Non-competition Undertaking, to avoid any potential conflict of interests with Jining Company and Hua Wo;

- our independent non-executive Directors will review the compliance of the Non-competition Undertaking on an annual basis and disclose in our annual report the results of their review; and
- all new activities and opportunities between us and any of Jining Company and Hua Wo (including the exercise or non-exercise of the options) and any on-going connected transactions will comply with the applicable requirements under Chapter 14A of the Listing Rules.