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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)

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



FIRST SHANGHAI CAPITAL LIMITED

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION

The Board announces that on 29 October 2024, the Company has entered into the 2025 Weichai Parts Purchase Agreement with Weichai Holdings to renew the relevant continuing connected transaction for a term of one year ending 31 December 2025, as more particularly detailed herein.

IMPLICATIONS UNDER THE LISTING RULES

SHIG is a substantial shareholder of the Company and a connected person of the Company. Weichai Holdings is a wholly-owned subsidiary of SHIG and, hence, is an associate of SHIG and is also a connected person of the Company. Accordingly, the transactions between the Group and the Weichai Group as contemplated under the 2025 Weichai Parts Purchase Agreement constitute continuing connected transactions of the Company.

As the highest percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the 2025 Weichai Parts Purchase Agreement (on an annual basis) exceeds 5%, such transactions are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, further details in relation to the transactions contemplated under the 2025 Weichai Parts Purchase Agreement and the relevant proposed New Cap, a letter from the Independent Board Committee, the recommendations of the Independent Financial Adviser, together with a notice of the general meeting will be despatched to the Shareholders on or about 29 November 2024.

I. INTRODUCTION

Reference is made to the Company's announcement dated 30 October 2023 and the Company's circular dated 27 November 2023, in respect of, inter alia, the 2024 Weichai Parts Purchase Agreement where the existing annual cap for the Continuing Connected Transactions was set.

As the 2024 Weichai Parts Purchase Agreement will expire at the end of 2024 and the Board intends to renew the existing continuing connected transaction under the 2024 Weichai Parts Purchase Agreement for a term of one year. Accordingly, the Board announces that on 29 October 2024, the 2025 Weichai Parts Purchase Agreement has been entered into, with a term of one year commencing on 1 January 2025 and ending on 31 December 2025.

II. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION

In order to continue the Continuing Connected Transactions with the Weichai Group following the expiry of the 2024 Weichai Parts Purchase Agreement, the Company (for itself and on behalf of its subsidiaries) entered into the 2025 Weichai Parts Purchase Agreement with Weichai Holdings (for itself and on behalf of the Weichai Group), on terms substantially the same as those of the 2024 Weichai Parts Purchase Agreement.

The principal terms of the 2025 Weichai Parts Purchase Agreement and the transactions contemplated thereunder are as follows:

Date : 29 October 2024

Parties: (1) Weichai Holdings

(2) The Company

Term : One year from 1 January 2025 to 31 December 2025 (both

days inclusive)

Subject matter:

Pursuant to the 2025 Weichai Parts Purchase Agreement, the Weichai Group has agreed to sell raw materials, parts and components, assemblies, semi-finished products (including but not limited to engines, gearboxes and axles) and related services, etc. ("Parts For Purchase") to the Group.

Other terms and details:

The terms of the 2025 Weichai Parts Purchase Agreement are substantially the same as those of the 2024 Weichai Parts Purchase Agreement.

Pursuant to the 2025 Weichai Parts Purchase Agreement, separate agreements will be entered into by relevant members of the Group and relevant members of the Weichai Group which will further provide the details of the parts to be purchased including the payment terms, product specifications, delivery time and quantity. The payment terms for each batch of parts will be based on normal commercial terms or industry practices provided that full payment shall be made by way of cash, cheques, notes, bills or letters of credit within 120 days from the date of purchase.

Pricing

Pursuant to the terms of the 2025 Weichai Parts Purchase Agreement, the Weichai Group will provide the Group with a selling price list of its parts which is applicable to all of its customers. Based on the aforesaid price list provided by the Weichai Group and the price quotation offered by other qualified suppliers, the Group will negotiate with all qualified suppliers including the Weichai Group to determine the agreed prices of all the parts, after taking into consideration the market conditions at the relevant time, the size of orders and the technical conditions, and all the purchases of parts from independent suppliers and the Weichai Group will be fixed at these agreed selling prices. The Group will prepare a parts purchase price list, which summarises all agreed parts purchase prices with independent parts suppliers and the Weichai Group, for all procurement departments of the Group to follow. Accordingly, the prices for the transactions under the 2025 Weichai Parts Purchase Agreement will be determined in accordance with the market price approach to ensure that the prices for the parts supplied by the Weichai Group are no less favourable to the Group than those offered by independent third parties.

Previous Caps

The following table summaries the previous caps for the transactions contemplated under the 2022 Weichai Parts Purchase Agreement for the year ended 31 December 2022, the transactions contemplated under the 2023 Weichai Parts Purchase Agreement for the year ended 31 December 2023 and the transactions contemplated under the 2024 Weichai Parts Purchase Agreement for the year ending 31 December 2024:

	For the	For the	For the
	year ended 31 December	year ended 31 December	year ending 31 December
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
Previous caps	16,236,000	17,680,000	29,200,000

Historical transaction amounts

The following table summarises the approximate historical amounts in respect of the purchase of the Parts For Purchase from the Weichai Group for the two years ended 31 December 2023 and for the nine months ended 30 September 2024, respectively:

	For the	For the	For the nine
	year ended	year ended	months ended
	31 December	31 December	30 September
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
Historical transaction			
amounts	$4,712,000^{(note)}$	14,175,000	12,767,000

Note: This amount comprises (1) the actual transaction amount for the period from 1 March 2022 to 31 December 2022 of approximately RMB3,933,950,000 (as disclosed in the Company's annual report for the year ended 31 December 2022) which represents the actual transaction amount for the year 2022 following Weichai Holdings becoming a connected person of the Company upon the completion of the Gratuitous Transfers; and (2) the actual transaction amount for the period from 1 January 2022 to 28 February 2022 which represents the actual transaction amount for the year 2022 prior to such transactions becoming connected transactions of the Company.

The proposed New Cap for the year ending 31 December 2025 for the transactions contemplated under the 2025 Weichai Parts Purchase Agreement is RMB24,000 million.

The proposed New Cap for the year ending 31 December 2025 for the transactions contemplated under the 2025 Weichai Parts Purchase Agreement was determined after considering the following factors:

- (i) the actual transaction amount of purchase from the Weichai Group for the nine months ended 30 September 2024, which amounts to approximately 90% of the historical transaction amount for the year ended 31 December 2023, and on an annualised basis, represents an increase of approximately 20% compared to the historical transaction amount for the year ended 31 December 2023;
- (ii) domestically, governmental policies have been consistently promoting the retirement and replacement of aged vehicles. Local governments have set the targets for retirement and replacement of China III Emission Standard vehicles and China IV Emission Standard vehicles in 2024 to 2028, which creates the potential for vehicles replacement and supports the increase in sales volume of new energy vehicles in the industry. The steady implementation of Belt and Road Initiative and the internationalisation strategy of RMB, together with the improvement in quality of domestic vehicles, contribute to the expectation in increase of scale of export;
- (iii) in 2024, the Group has been consolidating and improving its product competitiveness by utilising its advantageous products such as high-end, high-horsepower, and AMT trending products. Following the implementation of the standardisation of distribution and service network, the Group's capabilities in operations, marketing and risk resistance have been enhanced significantly. With the combined effect of the aforesaid factors, it is expected that there would be a steady increase in the demand of the Group's products, which would in turn result in the increase in purchase of the Parts For Purchase by the Group from the Weichai Group to equip its vehicle products; and

(iv) the actual transaction amount for the year ended 31 December 2023 of approximately RMB14,175 million represents a utilisation rate of approximately 80% of the previous annual cap for the year ended 31 December 2023 under the 2023 Weichai Parts Purchase Agreement, and the annualised transaction amount for the year ending 31 December 2024 (based on the actual transaction amount for the nine months ended 30 September 2024) represents a utilisation rate of approximately 58% of the existing annual cap for the year ending 31 December 2024. Taking into account the aforesaid utilisation rates, the proposed New Cap for the year ending 31 December 2025 has been adjusted downwards from the existing annual cap for the year ending 31 December 2024 under the 2024 Weichai Parts Purchase Agreement.

For the abovementioned reasons, it is believed that the Group's purchase of the Parts For Purchase from the Weichai Group for the year ending 31 December 2025 will be in line with the trend of increase as demonstrated by the historical transaction amount for the nine months ended 30 September 2024. In light of the expected increase in the sales volume of heavy duty trucks and light duty trucks of the Group and the annualised utilisation rate of the cap for the year ending 31 December 2024, the Board proposed that the New Cap for the year ending 31 December 2025 under the 2025 Weichai Parts Purchase Agreement be set at RMB24,000 million.

The 2025 Weichai Parts Purchase Agreement and the relevant proposed New Cap are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Internal control procedures

In order to ensure that the prices of each of the transactions are determined in accordance with the pricing policy applicable to the 2025 Weichai Parts Purchase Agreement, and the prices are no less favourable than those provided to the Group by independent third parties, the Group will ask for quotations from the independent third party suppliers and the Weichai Group. Based on these quotations, it will cross check the prices of the parts offered by the independent third party suppliers and the Weichai Group. If the Group also produces such parts, it will also compare the intragroup selling prices of the Group against those offered by the Weichai Group. The Group will then negotiate with the independent third party suppliers and the Weichai Group to finalise the prices of the parts and compile the parts price list for the relevant parts to be purchased, after taking into consideration the market conditions at the relevant time and the technical conditions. By conducting the aforesaid comparisons of the prices of the parts offered by the Weichai Group, the Group ensures that the prices of the parts offered by the Weichai Group are fair and reasonable.

In addition, the procurement department of subsidiaries of the Group may use the open tender for procurement by inviting at least two to three independent suppliers and the Weichai Group. The quotation review committee of the Group comprising experts from the procurement department, the technical department and the finance department will review and assess the quotations from technical, commercial and financial perspectives and make recommendations to the responsible management or executive Directors. The value engineering department will oversee the quotation review process to ensure that the prices of the parts to be purchased from the Weichai Group are competitive and comparable to those offered by independent third parties.

Further, the Group has established procedures for monitoring the Continuing Connected Transactions in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. Company's Capital Operation Department ("Capital Department") carries out regular meetings on the management and control of continuing connected transactions to monitor and ensure all the relevant Continuing Connected Transactions are in compliance with the relevant rules and regulations. The Group's Finance & Operation Management Department prepares, on a monthly basis, the maximum day-end balance and/or the accumulated annual transaction amount (as the case may be) of each Continuing Connected Transaction and checks the maximum day-end balance and/or the accumulated annual transaction amount (as the case may be) of each Continuing Connected Transaction against the respective pre-approved cap. If any maximum day-end balance and/or the accumulated annual transaction amount (as the case may be) exceeds 70% of the pre-approved annual cap, the relevant Continuing Connected Transaction will be reported to the Capital Operation Department for monitoring, follow-up and, if necessary, revision of the annual cap in accordance with the requirements of the Listing Rules. The Group's internal audit department will conduct semi-annual and annual reviews to check whether these transactions are conducted in accordance with the established procedures and internal controls and assess the effectiveness of the internal controls. In addition, the Company will engage the external auditors of the Company to conduct an annual review of the relevant Continuing Connected Transactions of the Group to report to the Board on whether there are any unapproved Continuing Connected Transactions or any non-compliance, in all material respects, of the pricing policies and terms of the Continuing Connected Transactions, including any exceeding of the pre-approved annual caps.

Reasons and benefits of entering into the 2025 Weichai Parts Purchase Agreement

The Weichai Group has been supplying the Parts For Purchase to the Group. The 2024 Weichai Parts Purchase Agreement, which governed such transactions, will expire at the end of 2024 and the Group intends to continue the relevant transactions with the Weichai Group after the expiry of the 2024 Weichai Parts Purchase Agreement.

The Weichai Group is able to make up for the Group's shortfall in certain power range and the engines produced by the Weichai Group enjoy strong product competitiveness in the market. By purchasing and equipping the Group's products with the Parts For Purchase from the Weichai Group, the Group is able to diversify its product portfolios, make up for its deficiency in segment markets and regional markets, and increase the market share of various model series of its products. The Group has been purchasing the Parts For Purchase from the Weichai Group in recent years. Such cooperation has won wide market recognition and contributed to the increase in the sales volume of the Group's products. In view of the market's demand and recognition of the Group's vehicle products equipped with the Parts For Purchase, the Board considers it will be in the interest of the Group to continue purchasing the Parts For Purchase from the Weichai Group. Given the expected increase in the demand in the Group's products in the year 2025, the Group would increase its procurement of the Parts For Purchase from the Weichai Group to meet such demand. The expected increase in sales of the Group's products equipped with the Parts For Purchase is expected to increase the overall sale volumes of the products of the Group and, in turn, the revenue of the Group.

In light of the above, the Board (excluding the independent non-executive Directors who will express their views in the circular after considering the advice of the Independent Financial Adviser and excluding the Weichai Interested Director) believed that it was in the best interest of the Group to continue purchasing the Parts For Purchase from the Weichai Group.

The terms of the 2025 Weichai Parts Purchase Agreement were made after arm's length negotiations between the Company and Weichai Holdings. The Board (excluding the independent non-executive Directors who will express their views in the circular after considering the advice of the Independent Financial Adviser and excluding the Weichai Interested Director) was of the view that the transactions contemplated under the 2025 Weichai Parts Purchase Agreement were on normal commercial terms, no less favourable than those available from independent third parties under prevailing local market conditions; the 2025 Weichai Parts Purchase Agreement was entered into in the ordinary and usual

course of business of the Group; and the terms of the transactions under the 2025 Weichai Parts Purchase Agreement (including the proposed New Cap) were fair and reasonable, and were in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON THE PARTIES TO THE 2025 WEICHAI PARTS PURCHASE AGREEMENT

The Company

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. The Company is ultimately governed and controlled by 山東省人民政府國有資產監督管理委員會 (Shandong Provincial State-owned Assets Supervision and Administration Commission*).

Weichai Holdings

Weichai Holdings, being a wholly-owned subsidiary of SHIG, is a company established in the PRC with limited liability. According to the public information available, the Weichai Group is principally engaged in the manufacturing and sale of engines, heavy duty trucks, gear boxes, parts and components of heavy duty trucks and hydraulics controlling parts.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by SHIG which is, in turn, one of the leading automobile and equipment groups in the PRC. SHIG 70% by 山東省人民政府國有資產監督管理委員會 owned as to (State-owned Assets Supervision and Administration Commission of the Shandong Government*), 20% by 山東國惠投資控股集團有限公司 (Shandong Guohui Investment Holding Group Co., Ltd.*) and 10% by 山東省財欣資產運營 有限公司 (Shandong Caixin Asset Management Co., Ltd*). To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, 山東國惠投資控股集團有限公司 (Shandong Guohui Investment Holding Group Co., Ltd.*) and 山東省財欣資產運營有限公司 (Shandong Caixin Asset Management Co., Ltd.*) are both PRC state-owned entities.

IV. IMPLICATION UNDER THE LISTING RULES

SHIG is a substantial shareholder of the Company and a connected person of the Company. Weichai Holdings is a wholly-owned subsidiary of SHIG and, hence, is an associate of SHIG and is also a connected person of the Company. Accordingly, the transactions between the Group and the Weichai Group as contemplated under the 2025 Weichai Parts Purchase Agreement constitute continuing connected transactions of the Company.

As the highest percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the 2025 Weichai Parts Purchase Agreement (on an annual basis) exceeds 5%, such transactions are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the Board meeting approving, *inter alia*, the 2025 Weichai Parts Purchase Agreement and the proposed New Cap, in view of his position in the relevant connected persons, the Weichai Interested Director, namely Mr. Wang Zhijian, has abstained from voting on the resolutions approving the 2025 Weichai Parts Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Continuing Connected Transactions.

V. APPROVAL BY INDEPENDENT SHAREHOLDERS AND DESPATCH OF CIRCULAR

According to Chapter 14A of the Listing Rules, the Company will seek approval from the Independent Shareholders for the 2025 Weichai Parts Purchase Agreement and the transactions contemplated thereunder at the general meeting of the Company. SHIG and its associates will abstain from voting in relation to the relevant resolutions.

The Independent Board Committee (consisting of all independent non-executive Directors, namely Mr. Lyu Shousheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Zhang Zhong and Dr. Liu Xiaolun) has been formed to advise the Independent Shareholders with respect to the Continuing Connected Transactions (namely, the 2025 Weichai Parts Purchase Agreement and the relevant proposed New Cap). First Shanghai Capital Limited has been appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders regarding the same.

A circular containing, among other things, further details in relation to the Continuing Connected Transactions (namely, the 2025 Weichai Parts Purchase Agreement and the relevant proposed New Cap), a letter from the Independent Board Committee, the recommendations of the Independent Financial Adviser, together with a notice of the general meeting will be despatched to the Shareholders. As the Company expects that more time will be needed to prepare the information to be contained in the circular, the circular will be despatched to the Shareholders on or before 29 November 2024 in accordance with the Listing Rules.

VI. DEFINITIONS

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

"2022 Weichai Parts Purchase Agreement" the agreement dated 4 March 2022 entered into between the Company (for itself and on behalf of its subsidiaries) and Weichai Holdings (for itself and on behalf of its associates), under which the Weichai Holdings and its associates have agreed to supply raw materials, parts, components, semi-finished products, etc. to the Group

"2023 Weichai Parts Purchase Agreement" the agreement dated 2 November 2022 entered into between the Company (for itself and on behalf of its subsidiaries) and Weichai Holdings (for itself and on behalf of Weichai Holdings and its associates) and as supplemented by the supplemental agreement dated 30 October 2023, under which Weichai Holdings and its associates have agreed to supply raw materials, parts, components, assemblies, semi-finished products and related services, etc. to the Group

"2024 Weichai Parts Purchase Agreement" the agreement dated 30 October 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and Weichai Holdings (for itself and on behalf of the Weichai Group), under which the Weichai Group has agreed to supply raw materials, parts, components, assemblies, semi-finished products and related services, etc. to the Group

"2025 Weichai Parts Purchase Agreement" the agreement dated 29 October 2024 entered into between the Company (for itself and on behalf of its subsidiaries) and Weichai Holdings (for itself and on behalf of the Weichai Group), details of which are set out in section II. in this announcement

"Associate(s)"

has the meaning ascribed to an "associate" under Rule 14A.06(2) of the Listing Rules, and further includes any company that constitutes a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules due to such associate's shareholding therein

"associate(s)"

has the meaning ascribed thereto under the Listing Rules

"Board"

the board of Directors

"Capital Operation Department"

has the meaning ascribed thereto under section II. in this announcement

"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 of the Company

"Company"

Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

"connected person(s)"

has the meaning ascribed thereto under the Listing Rules

"Continuing Connected Transaction(s)"

the continuing connected transaction(s) of the Group as described under section II. in this announcement

"Director(s)"

the director(s) of the Company

"Gratuitous Transfers"

the transfer of 45% of the equity interest in CNHTC by 濟南市人民政府國有資產監督管理委 員會 (State-owned Assets Supervision Administration Commission of Ji'nan Municipal People's Government*) and the transfer of 20% of the equity interest in CNHTC by 山東省國有資產投資控股有限公司 (Shandong State-owned Assets Investment Holdings Co., Ltd.*), both to SHIG for nil consideration (無償劃 轉) as provided in the Company's announcement dated 28 February 2022, and upon the completion of which on 28 February 2022, Weichai Holdings, being a wholly-owned subsidiary of SHIG, became a connected person of the Company

"Group"

the Company and its subsidiaries

"Hong Kong"

the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"

the independent board committee of the Company comprising Mr. Lyu Shousheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Zhang Zhong and Dr. Liu Xiaolun

"Independent Financial Adviser"

First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2025 Weichai Parts Purchase Agreement

"Independent Shareholders"

Shareholders who are not required to abstain from voting at the general meeting of the Company in respect of the transactions contemplated under the 2025 Weichai Parts Purchase Agreement

"Listing Rules"

the Rules Governing the Listing of Securities on the Stock Exchange

"New Cap"

the new annual cap for the Continuing Connected Transactions as set out in section II. in this announcement

"Parts For Purchase"	has the meaning ascribed thereto under section II. in this announcement
"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 in the Company
"SHIG"	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.*), a company established in the PRC with limited liability which is a controlling shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Weichai Group"	Weichai Holdings and its Associates, but excluding any member of the Group which constitutes an associate of Weichai Holdings solely due to SHIG's indirect interest in the Shares of the Company
"Weichai Holdings"	維柴控股集團有限公司 (Weichai Group Holdings Limited*), a company established in the PRC with limited liability which is a wholly-owned subsidiary of SHIG
"Weichai Interested	Mr. Wang Zhijian

Director"

"%" per cent

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

Chairman of the Board

Ji'nan, the PRC, 29 October 2024

As at the date of this announcement, the board of the Company consists of six executive directors of the Company including Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Zhengtao, Mr. Liu Wei, Ms. Li Xia and Mr. Richard von Braunschweig; three non-executive directors of the Company including Mr. Cheng Guangxu, Mr. Karsten Oellers and Mr. Mats Lennart Harborn; and six independent non-executive directors of the Company including Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng, Mr. Zhang Zhong and Dr. Liu Xiaolun.

^{*} For identification purposes only