



## SOMERLEY CAPITAL LIMITED

20/F., China Building, 29 Queen's Road Central, Hong Kong

Telephone: 2869 9090 Fax: 2526 2032 E-Mail: somerley@somerley.com.hk

27 March 2024

*To: The Independent H Shareholders*

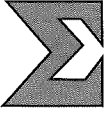
Dear Sirs,

**(1) CONDITIONAL CASH OFFER BY UBS ON BEHALF OF  
CIMC VEHICLES (GROUP) CO., LTD. TO BUY-BACK ALL THE  
ISSUED H SHARES (OTHER THAN THOSE HELD BY CIMC GROUP  
AND ITS CONCERT PARTIES) AT HK\$7.5 PER H SHARE; AND  
(2) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF  
THE H SHARES OF CIMC VEHICLES (GROUP) CO., LTD. FROM  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

### INTRODUCTION

We refer to our appointment to advise the Independent H Shareholders in connection with the H Share Buy-back Offer and the Voluntary Withdrawal of Listing, details of which are set out in the letter from the Board contained in the Offer Document to the Shareholders dated 27 March 2024, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Offer Document.

As stated in the letter from the Board, a board meeting of the Company was held on 11 March 2024, whereby the Board resolved, among other matters, that subject to compliance with the Takeovers Code, the Share Buy-backs Code and the Listing Rules, the H Share Buy-back Offer shall be made to buy-back all the H Shares in issue, other than those held by CIMC Group and its concert parties. The H Share Buy-back Offer involves cancellation of H Shares repurchased by the Company and corresponding reduction of the registered capital of the Company, and constitutes a capital reorganisation under the Takeovers Code. If the H Share Buy-back Offer becomes unconditional in all respects, all the H Shares repurchased will be cancelled and the registered capital of the Company will be reduced accordingly, and the Company will make an application for the listing of the H Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules. The share capital of the Company comprises H Shares and A Shares. The Company will not make an offer



for the A Shares as it is the Company's intention to maintain the listing of the A Shares on the Shenzhen Stock Exchange. As advised by the PRC legal advisers to the Company, the Company is not required to make a comparable offer for the A Shares pursuant to PRC laws and regulations.

CIMC Group (a holder of 728,443,475 A Shares, representing approximately 50.11% of all the A Shares in issue and approximately 36.10% of the total issued share capital of the Company as at the Latest Practicable Date) and CIMC HK (a wholly-owned subsidiary of CIMC Group and a holder of 417,190,600 H Shares, representing approximately 73.98% of all the H Shares in issue and approximately 20.68% of the total issued share capital of the Company as at the Latest Practicable Date) have entered into the CIMC Group and CIMC HK Irrevocable Undertaking in favour of the Company, pursuant to which they have irrevocably and unconditionally undertaken to the Company, among other things, that (i) the H Share Buy-back Offer does not have to be extended to CIMC HK, and no comparable A Share offer has to be extended to CIMC Group, and even if the H Share Buy-back Offer is extended to CIMC HK and/or such comparable A Share offer is extended to CIMC Group, they will not accept the H Share Buy-back Offer or such comparable A Share offer; and (ii) CIMC HK will attend the H Shareholders Class Meeting and the EGM, and CIMC Group will attend the A Shareholders Class Meeting and the EGM, and they will respectively vote in favour of the resolutions to be proposed at the A Shareholders Class Meeting and the EGM for approving the H Share Buy-back Offer and the Voluntary Withdrawal of Listing. Each of the Independent IU Shareholders (holding an aggregate of 80,143,000 H Shares, representing approximately 55.16% of all the H Shares held by the Independent H Shareholders, approximately 14.21% of all the H Shares in issue and approximately 3.97% of the total issued share capital of the Company as at the Latest Practicable Date) has entered into the Independent H Shareholder Irrevocable Undertaking, pursuant to which each of the Independent IU Shareholders has irrevocably and unconditionally undertaken to the Company, among other things, that it will accept the H Share Buy-back Offer in respect of all the H Shares and any other securities of the Company held by it and will vote in favour of the resolutions to be proposed at the H Shareholders Class Meeting, the A Shareholders Class Meeting (if applicable) and the EGM for approving the H Share Buy-back Offer and the Voluntary Withdrawal of Listing.

Pursuant to Rule 3.3 of the Share Buy-backs Code, as no Directors are considered as independent in respect of the H Share Buy-back Offer and the Voluntary Withdrawal of Listing, no independent board committee has been formed for the purpose of the H Share Buy-back Offer and the Voluntary Withdrawal of Listing. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent H Shareholders in connection with the H Share Buy-back Offer and the Voluntary Withdrawal of Listing. We are not associated with the Company, CIMC Group, CIMC HK or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly we are considered eligible to give independent advice on the terms of the H Share Buy-back Offer and the Voluntary Withdrawal of Listing. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, CIMC Group, CIMC HK or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. In addition, save for the aforesaid engagement, no other services were provided by Somerley to the Company during the past two years.



In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, “**Management**”), which we have assumed are true, accurate and complete in all material aspects as at the Latest Practicable Date and will remain so up to the time of the H Shareholders Class Meeting and the EGM. Should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have reviewed the annual report of the Company for the year ended 31 December 2022 (the “**FY2022 Annual Report**”) and the annual results announcement of the Company for the year ended 31 December 2023 (the “**FY2023 Annual Results**”), and the information contained in the Offer Document. We have sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, CIMC Group, CIMC HK and their respective subsidiaries or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

We have not considered the taxation implications or regulatory implications on the Independent H Shareholders of acceptances of the H Share Buy-back Offer since these are particular to their individual circumstances. In particular, the Independent H Shareholders who are Overseas H Shareholders or subject to overseas taxation or regulatory requirements on securities dealings should consider their own tax position and observe applicable legal or regulatory requirements and, if in any doubt, should consult their own professional advisers.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation on the H Share Buy-back Offer and the Voluntary Withdrawal of Listing, we have taken into account the following principal factors and reasons:

### **1. Information on the Group**

The Company is a joint stock company incorporated in the PRC with limited liability and its H Shares are listed on the Main Board of the Hong Kong Stock Exchange and its A Shares are listed on ChiNext Market of the Shenzhen Stock Exchange. The Company is the world’s leader in the sophisticated manufacturing of semi-trailers and specialty vehicles, a pioneer in the high-quality development of road transport equipment in China, and an explorer and innovator in new energy specialty vehicles in China.



As at the Latest Practicable Date, the Company has 563,920,000 H Shares (representing approximately 27.95% of the total issued share capital of the Company) and 1,453,680,000 A Shares (representing approximately 72.05% of the total issued share capital of the Company) in issue.

### **1.1. Financial performance**

Set out below are the summarised consolidated income statements of the Group for the three years ended 31 December 2021, 2022 and 2023 (“FY2021”, “FY2022” and “FY2023”, respectively), as extracted from FY2022 Annual Report and the FY2023 Annual Results:

**TABLE 1: SUMMARISED CONSOLIDATED INCOME STATEMENTS OF THE GROUP AND ADJUSTED NET PROFIT**

<i>(RMB million)</i>	<b>FY2023</b> <i>(audited)</i>	<b>FY2022</b> <i>(audited)</i>	<b>FY2021</b> <i>(audited)</i>
<b>Revenue</b>	25,086.6	23,620.6	27,647.8
Gross profit margin	18.96%	13.28%	11.02%
<b>Net profit attributable to Shareholders</b>	2,455.7	1,118.0	900.7
<b>Adjusted net profit attributable to Shareholders<sup>(1)</sup></b>	1,605.9	951.4	752.0
<b>Cash dividend per Share (RMB)</b>	Nil	0.3	0.5 <sup>(2)</sup>

*Notes:*

1. Calculated based on the net profit attributable to Shareholders less non-recurring gains or losses (after tax) from disposals of non-current assets and long-term equity investments and costs (after tax) incidental thereto (if any).
2. It contained a special interim dividend of RMB0.3 per Share.

*a. Revenue and gross profit margin*

The Group’s revenue decreased by 14.57% from RMB27,647.8 million for FY2021 to RMB23,620.6 million for FY2022, mainly due to (i) suppression of the domestic semi-trailer market demand as a result of the economic downturn in the PRC, and weak logistics demand and efficiency; and (ii) a weak specialty vehicle market in the PRC resulting from the exhaustion of demand for specialty vehicles in the PRC as a result of the implementation of China VI emission standards. The Group’s overall gross profit margin improved by 2.26% to 13.28% in FY2022. It has seen an uptick of 6.21% in the Group’s revenue in FY2023 to reach RMB25,086.6 million. The Group’s gross profit margin increased by 5.68% to 18.96% in FY2023, benefitting from the optimisation of



product structure and offerings, the increase in sales of products with high margins, the implementation of innovative sales models and economies of scale derived from the Group's mature global manufacturing network.

Set out below are the segment revenue information of the Group by major regions for FY2021, FY2022 and FY2023, as extracted from FY2022 Annual Report and FY2023 Annual Results:

**TABLE 2: SEGMENT REVENUE OF THE GROUP BY MAJOR REGIONS**

	FY2023			FY2022			FY2021		
	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin
<i>(RMB million)</i>									
PRC market	8,629.38	34.40%	11.44%	8,335.18	35.29%	9.99%	18,637.76	67.41%	11.32%
North American market	10,854.83	43.27%	25.76%	11,038.90	46.73%	16.22%	5,041.89	18.24%	10.65%
European market	3,063.45	12.21%	17.63%	2,421.04	10.25%	8.48%	2,455.21	8.88%	8.51%

#### FY2022

The Group has seen a shift in its largest market. In FY2021, PRC market, contributing around 67% of the Group's total revenue, was the largest market for the Group. North American market came second, generating around 18% of the Group's total revenue. In FY2022, North American market became the Group's largest market by a 47% contribution. PRC market generated 55% less revenue in FY2022 as compared to FY2021 and dropped to the second largest market of the Group. We have discussed such shift with the Management, and were advised that this was mainly due to (i) increases in sales volume and selling prices of semi-trailers in North American market driven by strong market demand in FY2022; and (ii) a weak demand for specialty vehicles in the PRC market amid faltering PRC economy in FY2022. European market played a relatively smaller role as compared to PRC market and North American market but it has achieved steady positive growth.

The gross profit margins of the PRC market, North American market and European market in FY2022 were 9.99%, 16.22% and 8.48%, respectively. Compared to FY2021, PRC market's gross profit margin slid by 1.33%, mainly due to PRC weak demand for specialty vehicles which have higher profit margins. In contrast, compared to FY2021, North American market's profit margin increased by 5.57%, principally attributable to economies of scale achieved through increased sales in North American market. The gross profit margin of European market was relatively stable.



## FY2023

Although recording a slight decrease of 2% in its revenue following the demand for semi-trailers in North America returning to normal in the second half of FY2023, North American market remained to be the Group's largest market in FY2023 by contributing 43% of the Group's total revenue. It has seen an uptick of 4% in the revenue generated from PRC market as the PRC economy gradually recovered and a substantial increase of 27% in that from European market in FY2023 mainly due to the sustained high inflation and thus relatively high product prices.

The gross profit margins of the three major markets have been further improved in FY2023 with that of PRC market from 9.99% in FY2022 to 11.44% in FY2023, North American market from 16.22% in FY2022 to 25.76% in FY2023 and European market from 8.48% in FY2022 to 17.63% in FY2023. Those improvements, as advised by the Management, were mainly attributable to the increased selling prices in North American market, cost reduction and efficiency improvement.

Set out below are the segment revenue information of the Group by major products for FY2021, FY2022 and FY2023, as extracted from FY2022 Annual Report and FY2023 Annual Results:

**TABLE 3: SEGMENT REVENUE OF THE GROUP BY MAJOR PRODUCTS**

	FY2023			FY2022			FY2021		
	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin
<i>(RMB million)</i>									
Global									
semi-trailers	18,805.83	74.96%	21.36%	18,143.28	76.81%	13.80%	15,275.85	55.25%	11.23%
Truck bodies for specialty vehicles and chassis and tractor units	2,644.69	10.54%	4.16%	2,367.21	10.02%	3.71%	9,209.61	33.31%	6.71%



## FY2022

Global semi-trailers, which include ordinary semi-trailers and tank trailers, further increased their contribution to the Group's total revenue from 55% in FY2021 to 77% in FY2022 with an improved gross profit margin from 11.23% in FY2021 to 13.80% in FY2022. As advised by the Management, it was mainly due to the strong demand with increased selling prices for semi-trailers and economies of scale achieved through increased sales in North American market.

Truck bodies for specialty vehicles and chassis and tractor units, which contributed one third of the Group's total revenue in FY2021, only made 10% of the Group's revenue in FY2022, mainly due to (i) implementation of new emission standards in PRC market in FY2022; and (ii) faltering infrastructure construction market in the PRC in FY2022. Furthermore, their gross profit margin got squeezed in FY2022, down from 6.71% in FY2021 to 3.71% in FY2022. The decline in its gross profit margin in FY2022 was mainly due to rising average cost following decreased sales of specialty vehicles.

## FY2023

The contributions to the Group's revenue made by global semi-trailers and truck bodies for specialty vehicles and chassis and tractor units remained stable in FY2023. Their gross profit margins, on the other hand, both rose in FY2023. The gross profit margin of global semi-trailers improved from 13.80% in FY2022 to 21.36% in FY2023, mainly benefitting from (i) increased selling prices in North American market and European market; and (ii) the Group's effective cost control. The gross profit margin of truck bodies for specialty vehicles and chassis and tractor units climbed from 3.71% in FY2022 to 4.16% in FY2023, mainly attributable to increased distribution channels in overseas market which normally have higher profit margins.

### *b. Net profit attributable to Shareholders*

The Group's net profit attributable to Shareholders has recorded a 24.11% year-on-year increase in FY2022 to reach RMB1,118.0 million as compared to FY2021. The increase was mainly due to (i) a substantial increase in the revenue from overseas markets; (ii) a rise in the proportion of revenue from high-quality products as a result of optimisation of the product structure; and (iii) compensation for relocation and resettlement of Qingdao CIMC Special Vehicle Co., Ltd., which was a one-off item as advised by the Management. After having excluded the non-recurring profit or loss (after tax) from disposals of non-current assets and long-term equity investments and costs (after tax) incidental thereto, the Group's adjusted net profit attributable to Shareholders was RMB951.4 million, representing a year-on-year increase of 26.51%.



Compared to FY2022, the Group's net profit attributable to Shareholders achieved a substantial year-on-year increase of 119.66% in FY2023 to arrive at RMB2,455.7 million, mainly due to (i) the Group's strong business performance in North America and sound business growth and improved profitability in other overseas markets; and (ii) one-off non-recurring gains (after deducting income tax) of RMB847.97 million from the disposal of Shenzhen CIMC Vehicle Co., Ltd. ("**Shenzhen Vehicle**"). After having deducted non-recurring gains or losses (after tax) from disposals of non-current assets and long-term equity investments and costs (after tax) incidental thereto which were mainly associated with the disposal of Shenzhen Vehicle, the Group's adjusted net profit attributable to Shareholders was RMB1,605.9 million, representing a year-on-year increase of 68.79%.

*c. Dividend*

As stated in FY2022 Annual Report, the dividends to be distributed by the Company each year shall be between 40% and 60% of the net profit attributable to the Shareholders for the previous fiscal year, subject to the relevant laws and regulations of the PRC and Hong Kong and the Company's articles of association. Furthermore, a proposal on profit distribution policy and shareholders return plan for the next three years, which requires that the total profit distributed in cash over the next three years after the listing of A Shares of the Company (i.e. 8 July 2021) shall not be less than 30% of the average annual distributable profit over the past three years, was approved at the annual general meeting held on 22 June 2022.

The Company declared a special dividend of RMB0.3 per Share in addition to a final dividend for FY2021. Dividends for FY2021 and FY2022 amounted to RMB0.5 per Share and RMB0.3 per Share respectively, accounting for 78.1% and 62.5% of the basic earnings per Share in the year preceding the respective year. As set out in the letter from the Board, as at the Latest Practicable Date, the Company confirms that (i) it has not declared any dividend which is not yet paid and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the Final Closing Date. As a result, no dividend has been declared for FY2023.





## 1.2. Financial position

Set out below are the summarised consolidated balance sheets of the Group as at 31 December 2021, 2022 and 2023 as extracted from FY2022 Annual Report and FY2023 Annual Results:

**TABLE 4: SUMMARISED CONSOLIDATED BALANCE SHEETS OF THE GROUP**

<i>(RMB million)</i>	As at 31 December		
	2023 <i>(audited)</i>	2022 <i>(audited)</i>	2021 <i>(audited)</i>
Total equity attributable to Shareholders ("NAV")	14,808.9	12,699.8	11,738.9
NAV per Share (RMB) <sup>(Note)</sup>	7.34	6.29	5.82

*Note:* Calculated based on the NAV of the respective year divided by the number of Shares in issue at the end of the respective year.

The Group's NAV in FY2022 and FY2023 were RMB12,699.8 million and RMB14,808.9 million respectively, representing year-on-year increases of 8.2% and 16.6% as compared to the previous financial year respectively. The increases were mainly due to the increases in profit attributable to Shareholders in FY2022 and FY2023 respectively. As a result, the NAV per Share increased from RMB5.82 per Share in FY2021 to RMB6.29 per Share in FY2022 to RMB7.34 per Share in FY2023.

### *Comments*

The Group has been the semi-trailer market leader in both PRC market and overseas markets. Diversified markets and global production and distribution network have helped steer the Group through complexities and dynamics. Despite having suffered some setbacks in its recent profitability in PRC market, the Group overall has been able to deliver robust and quality business performance in the past three years amid ever-changing market conditions home and abroad. The net profit attributable to the Shareholders achieved positive growth and the NAV per Share steadily increased in FY2022. Furthermore, the net profit attributable to Shareholders doubled and NAV per Share achieved a 16.6% increase in FY2023.

Looking forward, as discussed in the sub-section headed "1.3 Industry overview" below, to sustain the current momentum and maintain competitiveness, the Management may need to closely monitor recovery progress of the domestic logistic industry and continuing turbulences in overseas markets and keep abreast of trending technologies.



### *1.3. Industry overview*

The Group is mainly engaged in the global production and sales of semi-trailers, truck bodies for specialty vehicles, and other vehicles or parts and components with production and sales of semi-trailers accounting for 75% of its total revenue for FY2023. North America and PRC are the two major markets for the Group, which have respectively contributed 43.3% and 34.4% of the total revenue of the Group in 2023 based on the FY2023 Annual Results. According to the 2023 Global OEM Ranking List (the “**List**”) published by Global Trailer (a business publication published by Prime Creative Media, Australia’s largest business-to-business publisher), the Company ranked first among semi-trailer manufacturers in the world in terms of production output, for the eleventh year in a row.

#### *Semi-trailer market in North America*

North America comprises 7 countries, out of which United States accounts for majority of the total population. According to “United States Trailers” published by Americas Commercial Transportation Research Company (a recognised leading publisher of commercial vehicle industry data, market analysis and forecasting services in North America) in January 2024 (“**ACT Report**”), the trailers industry experienced demand-exceeding-capacity situation at the beginning of 2023, but supply-side improvements were countered by softening demand and increasing order cancellations during 2023. Dealers were awash with inventory and fleets chose to stay on the sidelines. Based on the ACT Report, the aggregate net orders and shipments of dry vans, reefers vans and chassis, being the major products of the Group, as advised by the Management, for FY2023 were 193,860 units and 292,688 units, respectively, representing a decrease of 43.8% and a slight increase of 1.0%, respectively, as compared to the same for previous year. The slowdown in net orders suggests that the pent-up demand in early 2023 has been exhausted. Due to the decline in net orders while the shipment volume was comparable to that of the prior year, it is anticipated that there might be a decline in shipments volume in 2024, which might impact revenue recognition across the players within the industry. It is further mentioned in the ACT Report that industry stakeholders indicate that the overall business environment and expectations for 2024 demand are considered worse than they were in 2023. In terms of orders and expectations for 2024, trailer manufacturers have mentioned that negotiations are still ongoing, but the pace of order placements is slower compared to previous years.

#### *Semi-trailer market in China*

According to the 2023 logistics statistical analysis published by China Federation of Logistics & Purchasing (a government recognised logistics industry association in the PRC) in February 2024, the total value of social logistics goods in China reached RMB352.4 trillion for 2023, representing a year-on-year increase of 5.2%. It is stated that the PRC economy is experiencing a notable rebound from previous fluctuations in 2023. The logistics operating environment has improved, contributing to the overall resurgence



of the industry. Notably, there has been a consistent growth in logistics demand across multiple sectors, including agriculture, industry, consumption, and imports. This growth surpasses the previous year's performance, indicating a positive and encouraging trend within the logistics industry.

According to Statistics Communiqué of the PRC on the 2023 National Economic and Social Development published by National Bureau of Statistics of China, the highways freight volume in China for 2023 was 40.34 billion tons, representing a year-on-year increase of 8.7%. Semi-trailers are crucial for transporting goods by road. An industry analyst report published by Soochow Securities Co., Ltd. in 2023 indicates that the increase in domestic logistics demand is expected to correspondingly increase the demand for semi-trailers.

#### *Comments*

The semi-trailer market in the United States experienced a decline in net orders in 2023 compared to the previous year, largely due to softening demand and increasing order cancellations. Dealers have stocked up on inventory but fleets are increasingly conservative over further investments in trailers. The shipments volume in 2024 is expected to correspondingly decline, which would impact revenue recognition across the industry players. The Group has also experienced a slowdown in sales in North America in the second half of 2023 as compared to the corresponding period in previous year. According to the ACT Report, the overall business environment and expectations for 2024 demand are somewhat less favourable and the trailer manufacturers reiterated that order placements have slowed down as compared to previous years.

No statistics on semi-trailers in the PRC market are available. Alternatively, we looked at value of logistics goods and highways freight volume in the PRC as semi-trailers are used for transporting goods by roads. The total value of social logistics goods in the PRC experienced a year-on-year increase, reflecting an improved operating environment and a rebounding economy. The highways freight volume in the PRC also saw positive growth, which is expected to drive the demand for logistics equipment, including semi-trailers.

The Group's sales in North America dropped slightly by 1.7% year-on-year in 2023 after robust growth in 2022, which has been largely in line with the United States' trailer market in 2023 as discussed above, whilst its sales in China registered a mild 3.5% increase in 2023. The gross profit margin of the North American market was 25.76%, significantly higher than that of the PRC market of 11.44%, in 2023. While this could indicate that the decline in sales to North American market could to some extent possibly be offset by the increase in sales to PRC market, but it would be challenging for the Group to maintain its overall gross profit margin or profitability in view of the sluggish North American market going forward.



## 2. Principal terms of the H Share Buy-back Offer

The Offer Shares subject to the H Share Buy-back Offer will comprise all the H Shares in issue other than those held by CIMC Group and its concert parties.

For each Offer Share HK\$7.5 in cash

**The Company will not increase the Offer Price as set out above. Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price and the Company does not reserve the right to increase the Offer Price.**

Under the terms of the H Share Buy-back Offer, subject to the H Share Buy-back Offer becoming unconditional in all respects, the Offer Shares to be acquired shall be fully paid and free from all Encumbrances, together with all rights attached or accrued thereto on or after the date on which the H Share Buy-back Offer is made, including the right to receive in full all dividends and other distributions declared, if any, the record date of which falls on or after the date on which the H Share Buy-back Offer is made (i.e. the date of despatch of the Offer Document).

All the H Shares bought-back under the H Share Buy-back Offer will be cancelled and subject to the H Share Buy-back Offer becoming unconditional in all respects, the listing of the H Shares on the Hong Kong Stock Exchange will be withdrawn. For the avoidance of doubt, the H Shares held by CIMC Group and its concert parties are not subject to the H Share Buy-back Offer and therefore will not be cancelled upon the H Share Buy-back Offer becoming unconditional in all respects. The H Shares held by CIMC Group and its concert parties will become unlisted H Shares, and will not be reclassified as A Shares or domestic shares of the Company or be listed in other stock exchanges.

The Company confirms that as at the Latest Practicable Date, (i) it has not declared any dividend which is not yet paid and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the Final Closing Date.



***Major Conditions of the H Share Buy-back Offer and the Voluntary Withdrawal of Listing***

The H Share Buy-back Offer and the Voluntary Withdrawal of Listing shall be subject to, among others, the following Conditions being fulfilled:

- (a) the passing of the resolution to be proposed at the H Shareholders Class Meeting for approving the H Share Buy-back Offer and the Voluntary Withdrawal of Listing, provided that:
  - (i) the resolution is approved (by way of poll) by (x) at least two-third (2/3) of the votes attaching to all the H Shares held by the H Shareholders that are voted either in person or by proxy at the H Shareholders Class Meeting, and (y) at least 75% of the votes attaching to all the H Shares held by the Independent H Shareholders that are voted either in person or by proxy at the H Shareholders Class Meeting; and
  - (ii) the number of votes cast (by way of poll) by the Independent H Shareholders present and voting either in person or by proxy at the H Shareholders Class Meeting against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;
- (b) the passing of the resolution to be proposed at the A Shareholders Class Meeting for approving the H Share Buy-back Offer and the Voluntary Withdrawal of Listing, provided that the resolution must be approved (by way of poll) by at least two-thirds (2/3) of the votes attaching to all the A Shares held by the A Shareholders that are voted either in person or by proxy at the A Shareholders Class Meeting;
- (c) the passing of the resolution to be proposed at the EGM for approving the H Share Buy-back Offer and the Voluntary Withdrawal of Listing, provided that the resolution must be approved (by way of poll) by at least two-thirds (2/3) of the votes attaching to all the Shares held by the Shareholders that are voted either in person or by proxy at the EGM; and
- (d) minimum valid acceptances of the H Share Buy-back Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time and date as the Company may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares held by the Independent H Shareholders.

Further details of the Conditions are contained in the letter from the Board of the Offer Document.



### *Intention of the Company*

The Company intends to buy-back all the H Shares in issue other than those held by CIMC Group and its concert parties, and withdraw the listing of its H Shares from the Hong Kong Stock Exchange pursuant to the H Share Buy-back Offer. The Company intends to maintain the listing status of the A Shares on the Shenzhen Stock Exchange. Completion of the H Share Buy-back Offer will not result in a change of control of the Company within the meaning of the Takeovers Code.

It is the intention of the Company that, after the delisting of the H Shares, (i) the Group will continue to carry on its current business; (ii) the Company will not introduce any major changes to the business of the Group (including any redeployment of fixed assets of the Group) in the foreseeable future; and (iii) the Company will not make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the H Share Buy-back Offer or the Voluntary Withdrawal of Listing.

### **3. Reasons for and benefits of the H Share Buy-back Offer and the Voluntary Withdrawal of Listing**

As disclosed in the letter from the Board, the Board believes that the H Share Buy-back Offer and the Voluntary Withdrawal of Listing are in the interests of the Company and the Shareholders as a whole, taking into account (a) the low trading volume and limited liquidity of the H Shares, which creates difficulty for the Company to effectively conduct fund raising exercise on the Hong Kong Stock Exchange; (b) the H Share Buy-back Offer, if materialised, will result in a possible one-off investment gain for the accepting H Shareholders; and (c) the Voluntary Withdrawal of Listing, if materialised, will allow the Company to save costs and expenses associated with regulatory compliance of its listing of H Shares, which we concur with based on our analysis set out in the section 4 below.



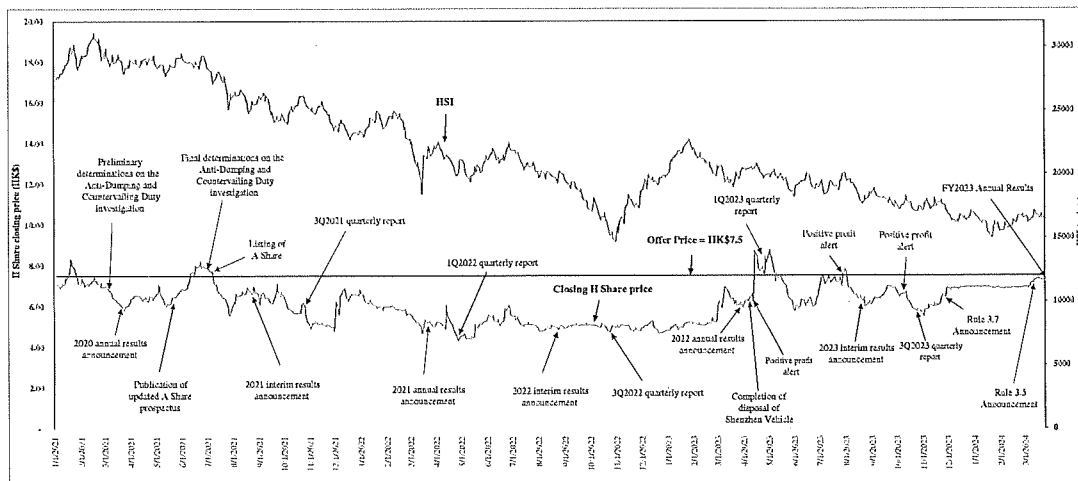
#### 4. Evaluation of the Offer Price

##### 4.1. H Share analysis

###### (a) H Share price performance

Set out below is the movement of the closing prices of the H Shares on the Hong Kong Stock Exchange during the period from 1 January 2021 up to and including the Latest Practicable Date (the “**Review Period**”), which covers recent major corporate actions including the listing of A Shares and the major market shift as discussed in sub-section headed “1.1 Financial performance” above, is considered to be sufficient to provide a general overview of recent market performance of H Shares. The H Share price performance during the Review Period is illustrated as follows:

**FIGURE 1: H SHARE PRICE PERFORMANCE COMPARED TO OFFER PRICE AND HANG SENG INDEX (“HSI”)**



Source: Bloomberg and websites of the Hong Kong Stock Exchange and the Company

The Offer Price represents a premium of approximately 17.55% over the Company’s initial public offering (“**IPO**”) price of HK\$6.38. The Offer Price of HK\$7.5 has been higher than the closing prices of the H shares in 746 trading days out of a total of 794 trading days during the Review Period. In this period, it seems that the closing prices of the H Shares have not quite moved in line with HSI since 2022 which may be due to the Group’s business development and financial performance.

As shown in the above figure, the H Shares closed between approximately HK\$6.83 and HK\$8.34 commencing from the beginning of the Review Period until early March 2021. On 7 March 2021, the Company published an announcement in relation to preliminary determinations on the Anti-Dumping and Countervailing Duty investigation initiated by United States on certain trailers imported from the PRC (the “**Investigation**”). In response, H Share price dropped from approximately HK\$6.72 on 8 March 2021 to HK\$5.79 on 24 March 2021.



On 18 May 2021, the Company announced the publication of updated A Share prospectus, after which the closing price of the H Share rebounded from HK\$6.12 on 18 May 2021 to HK\$8.18 on 23 June 2021. After the announcement of the final determination on the Investigation on 4 July 2021 and the listing of the A Share on 8 July 2021, the H Share closing price erased gains and closed below the Offer Price of HK\$7.5 for a period of 21 months until 14 April 2023, despite that CIMC Group, the controlling Shareholder of the Company, had purchased in aggregate 27,052,600 H Shares by way of centralised bidding and block trades in the open market from December 2021 to January 2023. The Company's announcements of its interim, quarterly, and annual results during this period also did not seem to generate any marked impact on the H Share price.

On 17 February 2023, the Company together with its subsidiary entered into an equity transfer agreement with CIMC Group pursuant to which the Group disposed of 100% equity interests in Shenzhen Vehicle to CIMC Group. Such disposal was completed on 7 April 2023. On 12 April 2023, the Company announced a positive profit alert which estimated that the net profit attributable to the Shareholders of the Company for the three months ended 31 March 2023 would record a year-on-year increase of 239%-314%, as a result of the Group's strong business performance in North America which benefited from (i) local government's favourable economic policies; and (ii) the rapid expansion of the multimodal transport (i.e. movement of goods using multiple modes of transportation, such as rail, road, water, and air, in a coordinated and an integrated manner) business. The closing price of the H Share then surged significantly and reached its highest level during the Review Period of HK\$8.75 on 2 May 2023. The H Shares closing price then gradually trended downwards and reached HK\$5.75 on 1 June 2023 and then mainly moved between HK\$6.00 and HK\$7.50 during the period from late May 2023 to mid October 2023.

The H Shares closing price fell after the release of the positive alert announcement for the nine months ended 30 September 2023 on 12 October 2023 from HK\$6.68 to HK\$5.48 on 2 November 2023. The H Share price gradually climbed commencing from early November 2023 and closed at HK\$6.44 on the Last Trading Day, being the day immediately preceding the publication of the Rule 3.7 Announcement. We have discussed this with the Management and they are unaware of the reason for such fluctuations.

After the release of the Rule 3.7 Announcement and up to the Latest Practicable Date, the closing price of the H Shares was between HK\$6.81 and HK\$7.35, with an average closing price of HK\$6.96. The H Share price closed at HK\$7.25 as at the Latest Practicable Date. The Offer Price of HK\$7.5 per Share represents a premium of approximately 3.45% over the closing price of the H Share on the Latest Practicable Date.





A comparison of the Offer Price of HK\$7.5 per H Share with the recent closing prices of the H Shares is set out as follows:

**TABLE 5: H SHARE PRICE COMPARISON**

	<b>Closing price or average closing price of the H Shares</b>	<b>Premium represented by the Offer Price</b>
Last Trading Day	HK\$6.44	16.46%
5 trading days <sup>(Note)</sup>	HK\$6.36	17.92%
10 trading days <sup>(Note)</sup>	HK\$6.20	20.97%
30 trading days <sup>(Note)</sup>	HK\$5.98	25.42%
60 trading days <sup>(Note)</sup>	HK\$6.30	19.05%
90 trading days <sup>(Note)</sup>	HK\$6.47	15.92%
Latest Practicable Date	HK\$7.25	3.45%

*Source: Bloomberg and the Hong Kong Stock Exchange website*

*Note: Up to and including the Last Trading Day.*

The Offer Price of HK\$7.5 per Share represents a premium of approximately 15.92% to 25.42% over the closing price of the H Share on the Last Trading Day and the average closing prices of the H Shares for the 5, 10, 30, 60 and 90 trading days (up to and including the Last Trading Day) before the release of Rule 3.7 Announcement. On the Latest Practicable Date, the Offer Price represents a premium of 3.45% over the closing price of the H Share. We consider that the H Share price following the release of the Rule 3.7 Announcement has been largely affected by the indicative offer price of HK\$7.0 set out in the Rule 3.7 Announcement and further affected by the terms of the H Share Buy-back Offer set out in the Rule 3.5 Announcement.



(b) *Trading liquidity*

Set out below are the monthly total trading volumes of the H Shares and the percentages of such monthly total trading volume to the total issued H Shares and H Share public float of the Company during the Review Period:

**TABLE 6: TRADING LIQUIDITY OF THE H SHARES**

	Monthly total trading volume of the H Shares	Percentage of the monthly total trading volume of the H Shares to the total issued H Shares (Note 1)	Percentage of the monthly total trading volume of the H Shares to H Share public float (Note 2)
<b>2021</b>			
January	34,959,856	6.20%	12.53%
February	6,157,461	1.09%	2.21%
March	10,646,912	1.89%	3.82%
April	11,153,493	1.98%	4.00%
May	7,378,761	1.31%	2.65%
June	17,559,443	3.11%	6.30%
July	8,682,494	1.54%	3.11%
August	7,846,920	1.39%	2.81%
September	121,713,500	21.58%	68.23%
October	10,061,920	1.78%	5.64%
November	7,655,805	1.36%	4.31%
December	30,011,500	5.32%	17.35%
<b>2022</b>			
January	2,064,000	0.37%	1.20%
February	1,653,509	0.29%	0.96%
March	1,210,123	0.21%	0.70%
April	19,586,046	3.47%	11.35%
May	9,945,632	1.76%	5.88%
June	7,302,282	1.29%	4.37%
July	980,763	0.17%	0.59%
August	752,100	0.13%	0.45%
September	1,170,582	0.21%	0.70%
October	1,273,989	0.23%	0.76%
November	1,943,000	0.34%	1.16%
December	9,737,600	1.73%	6.06%



	Monthly total trading volume of the H Shares	Percentage of the monthly total trading volume of the H Shares to the total issued H Shares (Note 1)	Percentage of the monthly total trading volume of the H Shares to H Share public float (Note 2)
<b>2023</b>			
January	17,347,000	3.08%	11.82%
February	4,784,500	0.85%	3.26%
March	17,457,100	3.10%	11.90%
April	42,099,309	7.47%	28.69%
May	24,685,564	4.38%	16.82%
June	16,351,500	2.90%	11.14%
July	39,205,762	6.95%	26.72%
August	22,373,894	3.97%	15.25%
September	20,095,679	3.56%	13.70%
October	18,187,000	3.23%	12.40%
November <sup>(Note 3)</sup>	40,132,516	7.12%	27.35%
December	17,219,191	3.05%	11.74%
<b>2024</b>			
January	7,813,744	1.39%	5.33%
February	5,391,000	0.96%	3.67%
March (up to and including the Latest Practicable Date)	24,453,500	4.34%	16.67%

Source: Bloomberg and the Hong Kong Stock Exchange website

Notes:

- (1) The calculation is based on the monthly total trading volumes of the H Shares divided by the total number of H Shares in issue as at the end of each month or the Latest Practicable Date, as applicable.
- (2) The calculation is based on the monthly total trading volumes of the H Shares divided by the total number of H Shares held by the public as at the end of each month or the Latest Practicable Date based on the information provided by the Company, as applicable.
- (3) Trading in the H Shares was suspended on 28 November 2023.



From January 2021 to August 2021, the monthly turnover of the H Shares stayed below 6.20% of the total issued H Shares and 12.53% of the H Share public float. From September 2021 to January 2023, as disclosed in the Company's voluntary announcements, CIMC Group being the controlling Shareholder of the Company purchased H Shares from time to time by way of block trades or centralised bidding in the open market. In particular, the purchases of H Shares made by CIMC Group in September 2021 and January 2023 accounted for more than 80% of the respective monthly turnover. Without taking into account the purchases of H Shares made by CIMC Group, the monthly turnover of the H Shares would drop below 15% of the H Share public float from September 2021 to January 2023. After the purchases of the H Shares, the H Shares owned by CIMC Group increased from 50.54% to 73.98% of the total issued H Shares and the H Share public float fell to 26.02%.

It is noted that the monthly turnover of the H Shares ticked up from 11.14% to 28.69% of H Share public float since March 2023 but before the publication of Rule 3.7 Announcement. In particular, it reached 28.69% of the H Share public float in April 2023 when the Company announced profit alert for three months ended 31 March 2023 due to the Group's strong North America Business performance; and 26.72% of the H Share public float in July 2023 when the Company announced profit alert for six months ended 30 June 2023 due to the continued positive momentum of North America business and non-recurring gain arising from completion of the disposal of Shenzhen Vehicle in April 2023. Following the publication of the Rule 3.7 Announcement, the trading volume surged again in November 2023 to 27.35%, which, in our view, was principally related to Shareholders' expectations regarding the H Share Buy-back Offer, and this trend may not continue after such offer closes or lapses.

In the absence of continued H Share purchases by CIMC Group or the Group's favourable development or performance such as one-off profitable disposals or continued positive momentum in the Group's business in the future, the Shareholders (especially those with relatively sizeable shareholdings) may face downward pressure in H Share price if they have intentions to dispose of a significant number of H Shares within a short period. On this basis, the H Share Buy-back Offer provides a solid exit opportunity for the Independent H Shareholders (especially those with relatively sizeable shareholdings) who are unsure of the future prospects of the Group and would like to realise their investments in the H Shares at a fixed cash price without disturbing the market price.



(c) *Premium/(discount) of the H Share price over/to the NAV per Share*

In assessing the fairness and reasonableness of the Offer Price, we have reviewed, as set out in the table below, the H Share prices, the NAV per Share and premium/(discount) of H Share prices over/(to) NAV per Share (based on the quarterly, interim and annual results announcements and the monthly returns) on a monthly basis during the Review Period:

**TABLE 7: PREMIUM/(DISCOUNT) OF THE H SHARE PRICE OVER/TO THE NAV PER SHARE**

	2021		2022		2023		2024		
	H Share price HK\$	NAV per share <sup>(2)(3)</sup> HK\$	Premium/ (Discount) of H Share price over/(to) NAV per Share	H Share price HK\$	NAV per share <sup>(2)(3)</sup> HK\$	Premium/ (Discount) of H Share price over/(to) NAV per Share	H Share price HK\$	NAV per share <sup>(2)(3)</sup> HK\$	Premium/ (Discount) of H Share price over/(to) NAV per Share
January	6.94-8.34	5.93	17.0%-(40.6)%	5.83-6.60	6.97	(16.3)%-(5.2)%	4.79-5.25	6.61	(27.6)%-(20.6)%
February	6.95-7.40	5.93	17.2%-(24.8)%	5.58-6.05	6.97	(19.9)%-(13.1)%	5.06-5.41	6.61	(23.5)%-(18.2)%
March <sup>(1)</sup>	5.79-7.00	6.73	(11.4)%-(18.0)%	4.70-5.65	7.13	(32.5)%-(18.9)%	5.93-6.94	7.09	(16.3)%-(4.9)%
April	6.26-6.57	6.73	(6.9)%-(2.3)%	4.34-6.08	6.99	(37.9)%-(14.7)%	6.25-8.70	7.43	(11.9)%-(22.6)%
May	6.05-7.03	6.73	(10.1)%-(4.5)%	4.40-5.30	6.99	(37.1)%-(24.2)%	5.77-8.75	7.43	(22.3)%-(17.8)%
June	6.80-8.18	6.73	1.1%-(21.6)%	5.08-6.05	6.99	(27.4)%-(13.5)%	5.75-6.80	7.43	(22.6)%-(8.5)%
July	5.57-7.84	6.73	(17.2)%-(16.5)%	5.03-5.53	6.99	(28.1)%-(20.9)%	7.00-7.79	7.43	(5.8)%-(4.8)%
August	6.18-6.97	6.31	(8.1)%-(10.4)%	4.76-5.06	6.83	(31.9)%-(26.2)%	5.98-7.80	7.63	(21.6)%-(5.0)%
September	6.10-7.10	6.31	(3.4)%-(12.4)%	4.93-5.15	6.83	(27.8)%-(24.6)%	6.35-6.98	7.63	(16.8)%-(8.5)%
October	5.25-6.15	6.97	(24.6)%-(2.6)%	4.75-5.15	6.61	(30.5)%-(24.1)%	5.67-6.68	7.78	(27.1)%-(12.4)%
November	4.81-5.26	6.97	(30.9)%-(24.5)%	4.76-5.10	6.61	(28.0)%-(22.9)%	5.48-6.90	7.78	(29.5)%-(11.3)%
December	5.34-6.87	6.97	(23.3)%-(1.4)%	4.65-5.25	6.61	(29.7)%-(20.6)%	6.81-6.94	7.78	(12.4)%-(10.8)%

*Notes:*

- Up to and including the Latest Practicable Date for March 2024.
- It refers to the NAV per Share as at the end of the respective month, which is calculated based on the Group's latest disclosed NAV and the number of Shares in issue as at the end of the respective month and converted to HK\$ based on the average of offshore RMB exchange rates from the business days immediately preceding and following the period end concerning the NAV per Share as announced by the Hong Kong Monetary Authority.
- The Company reports its NAV per Share by way of interim and final results announcement since its listing, and quarterly results announcement in addition to interim/final results announcement since October 2021.



During the Review Period, we noted that the NAV per Share has generally been on an uptrend as illustrated in above table. It is further noted that the NAV per Share increased from HK\$7.43 in April-July 2023 to HK\$7.63 in August-September 2023, which was primarily due to non-recurring gain arising from the disposal of 100% equity of Shenzhen Vehicle in the first half of 2023.

During the Review Period, the H Shares have been traded at between premium of 40.6% over and discount of 37.9% to the NAV per Share, with the H Shares traded below the NAV per Share in 746 days out of a total of 794 trading days. After the Rule 3.7 Announcement, the H Shares traded at discounts of 5.5% to 12.4% from December 2023 to the Latest Practicable Date.

NAV per Share was HK\$7.09 as at 31 December 2022. After completion of the disposal of Shenzhen Vehicle in April 2023 and benefitting from the Group's continued strong business performance in North America, the NAV per Share improved to HK\$8.06 per Share as at 31 December 2023. As a result, the discount represented by the Offer Price to NAV per Share as at 31 December 2023 was 7.0% but was still narrower than those represented by the closing price of the H Share in 534 day out of 794 days during the Review Period.

(d) *Cross-check with A Share Valuation*

As the H Share closing prices, in our view, have been supported by the indicated offer price following the release of Rule 3.7 Announcement, we have also assessed implied H Share value in 120 days up to and including the Latest Practicable Date with reference to the premiums of A Share price over H Share price in the past 360 trading days up to and including the Last Trading Day.

**TABLE 8: AVERAGE PREMIUM OF A SHARE PRICE OVER H SHARE PRICE AND IMPLIED H SHARE PRICE**

Period (up to and including the Last Trading Day)	Average premium of A Share price over H Share price	Average closing prices of A Shares (up to and including the Latest Practicable Date, in HK\$) (Note)			Implied H Share price
		30 trading days	90 trading days	120 trading days	
	(A)	(B)			$\frac{(B)}{1+(A)}$
30 trading days	90%	10.38	10.34	10.73	HK\$5.45-5.65
60 trading days	95%	10.38	10.34	10.73	HK\$5.31-5.51
90 trading days	100%	10.38	10.34	10.73	HK\$5.17-5.37
180 trading days	97%	10.38	10.34	10.73	HK\$5.24-5.44
360 trading days	94%	10.38	10.34	10.73	HK\$5.33-5.53
Range	90%-100%	10.38	10.34	10.73	HK\$5.17-5.65

Note: Calculated based on the offshore RMB exchange rate on the Last Trading Day as announced by the Hong Kong Monetary Authority.



It is noted that the average premiums of A Share price over H Share price for 30, 60, 90, 180 and 360 trading days up to and including the Last Trading Day ranged from 90% to 100%. Assuming such premiums continue to prevail and based on the average closing price of A Shares for 30, 90 and 120 trading days up to and including the Latest Practicable Date, the implied H Share would value from HK\$5.17 – 5.65 per H Share. The Offer Price of HK\$7.5 is higher than those implied values derived from the recent closing prices of A Shares and their premiums over H Share prices before Rule 3.7 Announcement.

#### Comments

The Offer Price of HK\$7.5 per H Share represents a premium of approximately 17.55% over the Company's IPO price of HK\$6.38 and premiums of about 15.92% to 25.42% over the closing price of the H Share on the Last Trading Day and the average closing price of the H Share for 5, 10, 30, 60 and 90 trading days (up to and including the Last Trading Day) before the release of the Rule 3.7 Announcement. Furthermore, the Offer Price of HK\$7.5 has been higher than the closing prices of the H shares in 746 trading days out of a total of 794 trading days during the Review Period. The H Share closing prices could be influenced by the Group's business performance or merger and acquisition activities as evidenced by the plunge following trade restrictions imposed by the United States in 2021 and rebound after the one-off disposal gain as discussed above. The purchases of H Shares made by CIMC Group (the controlling Shareholder of the Company) during the Review Period, however, seemed to have limited impact on the H Share price. The Offer Price is 5.8% higher than the NAV per Share as at 31 December 2022 but below the NAV per Share ever since the Group recorded a one-off gain arising from the disposal of Shenzhen Vehicle and strong business performance in its North America Business in the first quarter of 2023 thereafter. Nevertheless, the discount represented by the Offer Price to the latest NAV per Share is narrower than those of the closing price of H Shares in the vast majority of the trading days during the Review Period. The Company's A Share closing prices have always represented premiums over its H Share closing prices. As a further cross-check, we have computed the implied H Share values based on the prevailing premiums represented by A Share prices over H Share prices before the release of Rule 3.7 Announcement and the recent average closing prices of A Shares and noted that the Offer Price is higher than the implied H Share values. On the above basis, the H Share Buy-back Offer provides a solid opportunity for the Shareholders who are unsure of the future prospects of the Group to exit at a fixed cash.

The recent over-performance of the H Shares is, in our opinion, due to the release of the Rule 3.7 Announcement. Shareholders should therefore be aware that the current H Share price may not be sustainable if the H Share Buy-back Offer lapses and the H Share price may return to the undisturbed level.



#### 4.2 Comparable companies

The Group is mainly engaged in the global production and sales of semi-trailers, truck bodies for specialty vehicles, and other vehicles or parts and components with a market capitalisation of HK\$19.9 billion as at the Last Trading Day. According to the FY2023 Annual Results, the Group's sales of (i) semi-trailers, (ii) truck bodies for specialty vehicles, and other vehicles or parts, and (iii) components for semi-trailers and specialty vehicles accounted for 75%, 11% and 14% of its total revenue for FY2023, respectively.

We have endeavoured to identify companies listed on the Hong Kong Stock Exchange and PRC stock exchanges that are mainly engaged in manufacture and sales of semi-trailers and relevant auto parts but in vain. With reference to the List which has indexed trailer builders worldwide and ranked them based on the production output for the period from 1 July 2022 to 30 June 2023, we have identified companies thereon which (i) are listed on any stock exchanges; and (ii) generated more than 50% of their revenue from manufacture and sales of semi-trailer and relevant auto parts in their last financial year. A total of 3 companies have been identified (the "**Primary Comparable Companies**") based on the aforementioned criteria. Nonetheless, given that the valuation may vary across different stock exchanges, we have also employed the Bloomberg equity screening tool to identify companies listed on the Hong Kong Stock Exchange that have derived over 50% of their revenue from manufacture and sales of traditional automobiles and commercial vehicles in their last financial year to provide shareholders with a general overview on how automotive businesses are priced in Hong Kong stock market. With the said criteria, a total of 6 companies have been identified (the "**Secondary Comparable Companies**"). The Primary Comparable Companies and Secondary Comparable Companies (together, the "**Comparable Companies**"), so far as we are aware of, are exhaustive based on the aforementioned selection criteria.

In conducting our analysis, we have compared the price-to-earning ratio ("**PER**") and price-to-book ratio ("**PBR**") of the Company implied by the Offer Price and those of the Comparable Companies, which, we consider, are widely accepted multiples to evaluate a company. Details of the Comparable Companies are set out in the table below:

**TABLE 9: COMPARABLE COMPANIES**

<b>Company (stock code)</b>	<b>Place of listing</b>	<b>PER<sup>(1)</sup> (times)</b>	<b>PBR<sup>(2)</sup> (times)</b>
<i>Primary Comparable Companies:</i>			
Wabash National Corporation (WNC.US)	United States	4.34	1.83
Wielton S.A. (WLT.PL)	Poland	7.29	0.91
Randon S.A. Implementos e Participacoes (" <b>Randon</b> ") (RAPT3.BZ)	Brazil	4.51 <sup>(3)</sup>	0.60 <sup>(3)</sup>





Company (stock code)	Place of listing	PER <sup>(1)</sup> (times)	PBR <sup>(2)</sup> (times)
	<b>Highest</b>	7.29	1.83
	<b>Lowest</b>	4.34	0.60
	<b>Average</b>	5.38	1.11
	<b>Median</b>	4.51	0.91
<i>Secondary Comparable Companies:</i>			
Sinotruk (Hong Kong) Limited (3808.HK)	Hong Kong	14.31	1.10
Dongfeng Motor Group Company Limited (489.HK)	Hong Kong	4.72	0.18
Guangzhou Automobile Group Co., Ltd. (2238.HK & 601238.SH)	Hong Kong and PRC	7.27	0.31
Great Wall Motor Company Limited (2333.HK & 601633.SH)	Hong Kong and PRC	22.70	1.47
Geely Automobile Holdings Limited (175.HK)	Hong Kong	15.84	1.04
BAIC Motor Corporation Limited (1958.HK)	Hong Kong	5.85	0.31
	<b>Highest</b>	22.70	1.47
	<b>Lowest</b>	4.72	0.18
	<b>Average</b>	11.78	0.74
	<b>Median</b>	10.79	0.68
<i>Primary and Secondary Comparable Companies:</i>			
	<b>Highest</b>	22.70	1.83
	<b>Lowest</b>	4.34	0.18
	<b>Average</b>	9.65	0.86
	<b>Median</b>	7.27	0.91
<b>The Company (1839.HK &amp; 301039.SZ) based on the Offer Price of HK\$7.5</b>	<b>Hong Kong and PRC</b>	8.66 <sup>(4)(5)</sup>	0.94 <sup>(5)</sup>

Source: The List, Bloomberg, the websites of the Comparable Companies and the Hong Kong Stock Exchange

*Notes:*

- The PERs of the Comparable Companies and the Company are calculated based on their respective market capitalisation as at the Last Trading Day divided by their respective profit attributable to the shareholders for the trailing 12-month period ended 30 June 2023/FY2023 as referenced from their respective latest published annual/interim reports/results.



2. The PBRs of the Comparable Companies and the Company are calculated based on their respective market capitalisation as at the Last Trading Day divided by their respective net assets attributable to the shareholders as referenced from their respective latest published financial reports/results.
3. The PER and PBR of Randon are calculated with its preferred shares being classified as debt, as those preferred shares carry no voting rights and have reimbursement priority over common shares.
4. The PER implied by the Offer Price are calculated based on the Group's net profit for FY2023 after having disregarded the losses (after tax) on disposals of non-current assets, the net gain (after tax) on disposal of Shenzhen Vehicle (the "Disposal") and reorganisation costs (after tax) resulting from such Disposal during the period as extracted from the FY2023 Annual Results, as the Management considers them to be significant and one-off and non-recurring in nature.
5. The PER and PBR implied by the Offer Price are calculated based on the Offer Price of HK\$7.5 and the total number of Shares in issue as at the Last Trading Day.

The PERs and PBRs of the Primary Comparable Companies range from 3.17 times to 7.29 times with an average of 4.93 times and a median of 4.51 times and from 0.55 times to 1.83 times with an average of 1.10 times and a median of 0.91 times, respectively. The PER implied by the Offer Price of 8.66 times is substantially higher than those of the Primary Comparable Companies, while the PBR implied by the Offer Price of 0.94 times falls within the range of those of the Primary Comparable Companies and is lower than the average of but higher than the median of the Primary Comparable Companies' PBRs. We have reviewed the latest annual reports/results of those Primary Comparable Companies and noted that their gearing ratios (total liabilities divided by total assets) in the last financial year ranging from 60% to 73% are significantly higher than that of the Company of 35%. The Primary Comparable Companies' relatively higher gearing ratios, in our view, may explain the Primary Comparable Companies' relatively higher average PBR but lower average PER as compared to those of the Offer Price.

The PERs of the Secondary Comparable Companies range from 4.72 times to 22.70 times with an average of 11.78 times and a median of 10.79 times, which, in our view, are relatively dispersed and may be due to the varieties existing in their business models and products. The PBRs of the Secondary Comparable Companies range from 0.18 times to 1.47 times with an average of 0.74 times and a median of 0.68 times. The PER of 8.66 times and PBR of 0.94 times implied by the Offer Price fall within the ranges of those of the Secondary Comparable Companies. As aforementioned, due to the uniqueness of the Group's businesses, none of those Secondary Comparable Companies run businesses similar to those of the Group. As such, the PERs and PBRs of the Secondary Comparable Companies serve as a broader general reference of valuation of the companies under a broader automotive sector in Hong Kong market.

In an overall view, both the PER and PBR implied by the Offer Price fall within the ranges of those of the Comparable Companies and are higher than the medians of those of the Comparable Companies.



### *Comments*

Both the PER and PBR implied by the Offer Price are either higher or within the ranges of those of (i) the Primary Comparable Companies which are engaged in similar businesses as the Company; (ii) the Secondary Comparable Companies which are listed on the same stock exchange as the Company and under a broader automotive sector where the Company belongs; and (iii) the former two groups of comparable companies as a whole.

Given that (i) the Group is profitable in its last financial year; and (ii) PBRs, as discussed above, can be influenced by the debt/equity structure deployed by the companies, we consider PER to be a more appropriate valuation multiple to assess a profitable company of this type. On this basis and considering that the PER implied by the Offer Price is higher than those of the Primary Comparable Companies and falls within the ranges of both Secondary Comparable Companies and Comparable Companies as a whole, we view the Offer Price of HK\$7.5 to be fair and reasonable.

### *4.3 Privatisation precedents*

As part of the assessment of the fairness and reasonableness of the Offer Price, we have searched for approved privatisation transactions by way of share buy-back offer announced by companies listed on the Main Board of the Hong Kong Stock Exchange but only found three cases (including Yitai Coal, Lanzhou Zhuangyuan and Cangnan Instrument as defined in the table below) during the Review Period. As such, we expanded our scope to include all successful privatisation proposals involving companies listed on the Main Board of the Hong Kong Stock Exchange which were initially announced and completed during the Review Period and involved a cash consideration (excluding combined consideration of cash and shares) (the “**Privatisation Precedents**”). The Privatisation Precedents, in our view, give a more comprehensive overview on not only the pricing of recent transactions of this type but also the premium or discount that most of the independent shareholders are willing to accept for tendering their shares in a privatisation transaction. The Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the said criteria, a summary of which is set out in the table below.



**TABLE 10: PRIVATISATION PRECEDENTS**

Date of initial announcement <sup>(2)</sup>	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over <sup>(1)</sup>							Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share <sup>(5)</sup>
		Last full trading day <sup>(3)</sup>	5-trading day <sup>(4)</sup>	10-trading day <sup>(4)</sup>	30-trading day <sup>(4)</sup>	60-trading day <sup>(4)</sup>	90-trading day <sup>(4)</sup>		
14 December 2023	Sinofast Technology Group Limited (1297)	29.4%	30.4%	31.2%	31.1%	22.5%	15.0%	(78.9)%	
4 December 2023	Weiqiao Textile Company Limited (2698)	104.7%	104.9%	102.7%	111.1%	142.9%	147.5%	(78.3)%	
6 October 2023	Haitong International Securities Group Limited (665)	114.1%	111.1%	108.2%	126.5%	122.2%	124.5%	(39.3)%	
6 October 2023	Pine Care Group Limited (1989)	(1.1)%	0.7%	0.9%	1.5%	8.9%	22.9%	(7.9)%	
15 September 2023	Lansen Pharmaceutical Holdings Limited (503)	26.8%	24.1%	22.5%	20.0%	15.4%	20.8%	22.1%	
1 September 2023	CST Group Limited (985)	61.3%	24.4%	21.4%	36.6%	(1.4)%	(14.9)%	(60.7)%	
27 June 2023	Dali Foods Group Company Limited (3799)	37.9%	36.4%	39.4%	30.2%	21.8%	18.7%	151.7%	
27 June 2023	Poly Culture Group Corporation Limited (3636)	77.6%	112.5%	125.2%	133.1%	129.8%	129.0%	(30.9)%	



Date of initial announcement <sup>(2)</sup>	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over <sup>(1)</sup>						Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share <sup>(5)</sup>
		Last full trading day <sup>(3)</sup>	5-trading day <sup>(4)</sup>	10-trading day <sup>(4)</sup>	30-trading day <sup>(4)</sup>	60-trading day <sup>(4)</sup>	90-trading day <sup>(4)</sup>	
23 June 2023	Yongsheng Advanced Materials Company Limited (3608)	58.7%	55.8%	61.0%	52.9%	38.5%	34.4%	(46.5)%
11 June 2023	Mason Group Holdings Limited (273)	20.7%	20.7%	19.4%	19.0%	16.2%	12.7%	(60.1)%
28 May 2023	Golden Eagle Retail Group Limited (3308)	63.4%	66.6%	61.5%	55.3%	49.9%	54.6%	(47.4)%
8 May 2023	Haitian Holdings Limited (2278)	5.0%	5.0%	5.0%	5.0%	5.0%	8.7%	(60.2)%
29 March 2023	Inner Mongolia Yitai Coal Co., Ltd. (3948) ("Yitai Coal")	54.9%	58.7%	63.7%	67.3%	64.2%	65.1%	(6.0)%
21 February 2023	Jiangnan Group Limited (1366)	83.5%	100.0%	106.2%	107.3%	102.0%	91.4%	(63.8)%
17 February 2023	AAG Energy Holdings Limited (2686)	10.1%	10.1%	9.3%	10.8%	24.2%	27.2%	(27.5)%
24 October 2022	Kingston Financial Group Limited (1031)	47.8%	48.4%	47.6%	39.4%	33.3%	29.9%	(80.2)%
8 August 2022	EVOC Intelligent Technology Company Limited (2308)	52.2%	49.6%	48.3%	45.8%	52.2%	53.5%	(55.4)%



Date of initial announcement <sup>(2)</sup>	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over <sup>(1)</sup>						Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share <sup>(5)</sup>
		Last full trading day <sup>(3)</sup>	5-trading day <sup>(4)</sup>	10-trading day <sup>(4)</sup>	30-trading day <sup>(4)</sup>	60-trading day <sup>(4)</sup>	90-trading day <sup>(4)</sup>	
5 August 2022	Lifestyle International Holdings Limited (1212)	62.3%	75.9%	81.9%	70.1%	58.7%	48.1%	(52.8)%
9 June 2022	China VAST Industrial Urban Development Company Limited (6166)	30.4%	29.2%	28.8%	31.4%	36.9%	42.1%	(41.9)%
2 June 2022	Xiamen International Port Co., Ltd. (3378)	97.4%	90.7%	110.3%	139.4%	152.8%	155.7%	(14.8)%
16 March 2022	Yashili International Holdings Ltd. (1230)	160.9%	153.2%	150.5%	138.5%	134.2%	127.3%	(2.9)%
24 January 2022	Guodian Technology & Environment Group Corporation Limited (1296)	107.7%	107.7%	107.7%	96.4%	107.7%	92.9%	(13.6)%
14 January 2022	AKM Industrial Company Limited (1639)	15.2%	24.5%	29.1%	25.8%	29.0%	41.1%	70.9%
17 December 2021	Lanzhou Zhuangyuan Pasture Co., Ltd. (1533) ("Lanzhou Zhuangyuan")	45.4%	49.2%	49.4%	44.2%	55.1%	59.4%	12.5%

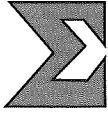


Date of initial announcement <sup>(2)</sup>	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over <sup>(1)</sup>							Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share <sup>(5)</sup>
		Last full trading day <sup>(3)</sup>	5-trading day <sup>(4)</sup>	10-trading day <sup>(4)</sup>	30-trading day <sup>(4)</sup>	60-trading day <sup>(4)</sup>	90-trading day <sup>(4)</sup>		
24 November 2021	Shanghai Jin Jiang Capital Company Limited (2006)	56.6%	63.2%	67.6%	77.1%	85.6%	86.8%	8.8%	
29 October 2021	Razer Inc. (1337)	55.8%	58.4%	61.1%	67.9%	59.3%	51.6%	487.5%	
15 October 2021	Yorkey Optical International (Cayman) Ltd. (2788)	99.8%	102.2%	104.7%	103.5%	101.4%	101.4%	6.3%	
8 October 2021	Dragon Crown Group Holdings Limited (935)	8.5%	7.6%	7.6%	9.4%	20.8%	28.0%	34.7%	
30 September 2021	C.P. Pokphand Co. Ltd. (43)	19.8%	22.3%	17.4%	27.8%	33.7%	30.7%	7.5%	
6 September 2021	Hop Hing Group Holdings Limited (47)	73.9%	74.7%	76.2%	70.9%	62.9%	61.0%	57.8%	
25 August 2021	Suchuang Gas Corporation Limited (1430)	2.9%	19.6%	23.2%	25.6%	26.3%	26.3%	96.9%	
12 August 2021	Good Friend International Holdings Inc. (2398)	50.0%	73.8%	73.8%	61.6%	49.0%	38.9%	(20.2)%	
27 July 2021	Nature Home Holding Company Limited (2083)	39.3%	38.2%	38.2%	31.8%	30.8%	38.2%	(23.1)%	



Date of initial announcement <sup>(2)</sup>	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over <sup>(1)</sup>						90-trading day <sup>(4)</sup>	Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share <sup>(5)</sup>
		Last full trading day <sup>(3)</sup>	5-trading day <sup>(4)</sup>	10-trading day <sup>(4)</sup>	30-trading day <sup>(4)</sup>	60-trading day <sup>(4)</sup>	90-trading day <sup>(4)</sup>		
9 July 2021	Beijing Capital Land Ltd. (2868)	62.8%	61.9%	77.2%	127.6%	150.0%	143.5%	(49.0)%	
5 July 2021	Clear Media Limited (100)	0.0%	0.0%	0.0%	(0.7)%	(0.3)%	7.4%	63.7%	
25 June 2021	Bestway Global Holding Inc. (3358)	27.0%	29.6%	32.7%	47.0%	62.8%	71.8%	0.0%	
18 May 2021	Chong Hing Bank Limited (1111)	97.0%	101.2%	102.5%	107.4%	109.9%	113.6%	(10.1)%	
28 February 2021	Xiezhong International Holdings Limited (3663) ("Xiezhong")	17.6%	17.6%	21.2%	25.0%	37.9%	42.9%	400.0%	
25 February 2021	Sichuan Languang Justbon Services Group Co., Ltd. (2606)	39.4%	45.4%	46.6%	46.8%	59.6%	57.4%	201.6%	
5 February 2021	Zhejiang Cangnan Instrument Group Company Limited (1743) ("Cangnan Instrument")	15.2%	13.6%	13.1%	18.0%	25.2%	4.4%	20.2%	
22 January 2021	Zhuhai Holdings Investment Group Limited (908)	14.3%	22.7%	23.5%	34.0%	52.6%	61.6%	7.8%	





Date of initial announcement <sup>(2)</sup>	Company name (stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over <sup>(1)</sup>					90-trading day <sup>(4)</sup>	Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share <sup>(5)</sup>
		Last full trading day <sup>(3)</sup>	5-trading day <sup>(4)</sup>	10-trading day <sup>(4)</sup>	30-trading day <sup>(4)</sup>	60-trading day <sup>(4)</sup>		
21 January 2021	Polytec Asset Holdings Limited (208)	37.8%	36.7%	37.5%	52.4%	56.1%	57.4%	(21.5)%
20 January 2021	Zhejiang New Century Hotel Management Co., Ltd. (1158)	61.3%	58.6%	63.2%	72.6%	94.2%	104.1%	(54.6)%
27 January 2021	New Century Real Estate Investment Trust (1275)	24.7%	23.9%	22.3%	20.8%	19.7%	20.3%	174.8%
17 January 2021	HKC (Holdings) Limited (190)	120.4%	122.2%	122.8%	119.8%	109.4%	100.0%	(68.3)%
13 January 2021	China Machinery Engineering Corporation (1829)	45.1%	73.7%	93.7%	118.9%	127.0%	127.0%	(29.4)%
	<b>Highest</b>	160.9%	153.2%	150.5%	139.4%	152.8%	155.7%	487.5%
	<b>Lowest</b>	(1.1)%	0.0%	0.0%	(0.7)%	(1.4)%	(14.9)%	(80.2)%
	<b>Average</b>	50.8%	53.4%	55.6%	58.8%	60.8%	60.5%	14.8%
	<b>Median</b>	46.6%	48.8%	47.9%	46.9%	52.4%	52.6%	(14.2)%
28 November 2023	The Company (1839)	16.5%	17.9%	21.0%	25.4%	19.1%	15.9%	(7.0)%



*Source: Bloomberg and the website of the Hong Kong Stock Exchange*

*Notes:*

1. The figures are quoted from the respective offer/scheme document or if such data is not available, calculated based on the offer/cancellation price divided by the closing price per share on the last full trading day or average closing price per share during various periods.
2. The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever is earlier.
3. The last undisturbed full trading day as disclosed in the respective offer/scheme document or last full trading day prior to the release of the initial announcement.
4. Up to and including the last full trading day.
5. It represents the premium or (discount) represented by the offer/cancellation price over the NAV per share (or adjusted NAV per share, if available) quoted from the respective offer/scheme document.
6. Subject to rounding differences.



*(a) Premiums or (discounts) over/to the prevailing share prices*

The ranges of the premiums or (discounts) represented by the offer/cancellation price of the Privatisation Precedents are very wide. They are (1.1)%-160.9%, 0.0%-153.2%, 0.0%-150.5%, (0.7)%-139.4%, (1.4)%-152.8%, (14.9)%-155.7% over/to their respective share closing price on the last full trading day and 5-, 10-, 30-, 60-, and 90-trading day average share closing price, respectively. The premiums of 15.9%-25.4% represented by the Offer Price over the closing Share prices on the Last Trading Day and average closing prices for various trading periods all fall within the ranges of those of the Privatisation Precedents.

Among the companies involved in the Privatisation Precedents, Xiezhong is principally engaged in manufacture and sales of automotive heating, ventilation and cooling systems and related components and the operation of 4S dealership stores in the PRC and the premiums represented by its cancellation price over its share closing price on the last full trading day and 5-, 10-, 30-, 60-, and 90-trading day average share closing price ranged from 17.6% to 42.9%. However, the nature of the automotive businesses Xiezhong operates are quite different from those of the Company, which makes a direct comparison between its privatisation and the H Share Buy-back Offer inappropriate.

*(b) Premiums or (discounts) over/to the NAV per share*

The premiums or (discounts) represented by the offer/cancellation price of the Privatisation Precedents over/to their respective NAV per share are also very wide, ranging from (80.2)% to 487.5%. The Offer Price represented a discount to the NAV per Share of 7.0% is within the range of those of the Privatisation Precedents and above the median discount of the Privatisation Precedents of 14.2%.

Out of the 46 Privatisation Precedents, 17 cases' offer/cancellation prices represent premiums over their respective NAV per share, 28 cases' offer/cancellation prices represent discounts to their respective NAV per share and one case's offer/cancellation price was equal to its NAV per share.

Comments

We consider the Privatisation Precedents during the Review Period provide a general overview of the pricing of the recent successful privatisation transactions in Hong Kong and serve as a reference when assessing the fairness and reasonableness of the Offer Price. As the Privatisation Precedents' premiums or (discounts) have wide ranges which may be due to the different business nature, scale and industries in which the companies involved operate, as well as their own historical trading prices which may have been impacted by other extenuating circumstances specific to each of the Privatisation Precedents, they give a reference point on recent pricing on privatisation transactions which are acceptable for the respective independent shareholders to tender their shares.



Given that (i) the premiums represented by the Offer Price over the closing Share price on the Last Trading Day and average closing prices for various trading periods fall within the ranges of those of the Privatisation Precedents; and (ii) the discount represented by the Offer Price to the NAV per Share is within the range of the Privatisation Precedents and narrower than those represented by the closing price of the H Share during the majority of the days of the Review Period as discussed in the section 4 above; and (iii) offer/cancellation prices pitched at discounts to NAV per share are not ruled out in privatisation transactions during the Review Period, we consider the terms of the H Share Buy-back Offer are generally in line with the market.

## DISCUSSION

The Company, listed on the Hong Kong Stock Exchange in July 2019 and the Shenzhen Stock Exchange in July 2021, is principally engaged in manufacturing of semi-trailers and specialty vehicles with semi-trailers accounting for over 70% of its revenue in 2023. It was ranked first in 2023 among semi-trailer manufacturers in the world in terms of production output.

China had been the largest market of the Group since its listing in 2019 until 2022. Due to a weak demand for semi-trailers in the PRC market amid faltering PRC economy in 2022 countered by a strong demand from North America, North American market took over PRC market to become the largest revenue contributor to the Group since 2022. Despite the Group recorded a slight drop in overall revenue in 2022, the Group managed to enhance its profit margins as well as profitability. The gross profit margins of North American market increased significantly over the last three years (2021: 10.65%, 2022: 16.22%, 2023: 25.76%) and those of PRC market were relatively stable (2021: 11.32%, 2022: 9.99%, 2023: 11.44%). The Group made a disposal of Shenzhen Vehicle in 2023 and recorded a gain (after tax) of RMB881.2 million. After having excluded gain/loss on disposal of non-current assets and long term equity investments and the costs incidental thereto, net profit attributable to Shareholders increased by 68.79% year-on-year in 2023.

Based on the ACT Report, the semi-trailer market in the United States experienced a decline in net orders and stagnant shipment in 2023 compared to the previous year, largely due to softening demand and increasing order cancellations. Dealers have stocked up on inventory but fleets are increasingly conservative over further investments in trailers. The shipments volume in 2024 is expected to correspondingly decline, which might impact revenue recognition across the industry players. The Group has also experienced a slowdown in North American sales in the second half of 2023 as compared to the corresponding period in previous year. It has been further stated in the ACT Report that the overall business environment and expectations for 2024 demand are somewhat less favourable and the trailer manufacturers reiterated that order placements have been slowdown as compared to previous years. The PRC market saw a mild growth in both social logistics goods value and freight volume in 2023. The Group recorded a 3.5% year-on-year increase in sales in PRC market for FY2023. The expected sluggish sales growth in North American market could possibly be offset by the increase in sales in PRC market to some extent, but the gross profit margin of the Group's North American



market was 14.32% higher than its PRC market in FY2023. It would be, in our view, rather challenging for the Group to maintain its overall gross profit margin or profitability in view of the sluggish North American market going forward.

The Offer Price is HK\$7.5 per H Share, being higher than the IPO price of HK\$6.38 and the closing prices of the H Shares in 746 trading days out of a total of 794 trading days during the Review Period. The H Share closing price fluctuated significantly in 2023 and reached its highest at HK\$8.75 on 2 May 2023 possibly due to the disposal of Shenzhen Vehicle and the then strong business performance in North America in the first quarter of 2023. The H Share closing price then gradually trended downwards and then mainly moved between HK\$6.00 and HK\$7.50 during the period from late May 2023 to mid October 2023. The H Share closing price fell further after the release of the positive alert announcement for the nine months ended 30 September 2023 on 12 October 2023 from HK\$6.68 to HK\$5.48 on 2 November 2023. The H Share closing price gradually climbed commencing from early November 2023 and closed at HK\$6.44 on 27 November 2023, being the day immediately preceding the publication of the Rule 3.7 Announcement. The subsequent H Share closing prices, in our view, have been supported by the indicated offer price set out in the Rule 3.7 Announcement. Alternatively, we assessed the implied value of the H Shares based on the recent A Share closing prices and the historical premium of A Share closing price over H Share closing price and noted that H Shares would have been valued at HK\$5.17-5.65 per share. The discount represented by the Offer Price to NAV per Share as at 31 December 2023 was 7.0%, being narrower than those represented by the closing price of the H Share in 534 day out of 794 days during the Review Period.

No listed companies that are mainly engaged in manufacture and sales of semi-trailers and relevant auto-parts have been identified in Hong Kong or the PRC, but three Primary Comparable Companies listed overseas have been identified. All of them as well as the Company are profitable in their latest financial years. On this basis, we tend to weigh more on their PERs. The Company's PER as represented by the Offer Price is higher than all the Primary Comparable Companies'. We have also looked at Hong Kong listed companies that are mainly engaged in the manufacture and sales of traditional automobiles and commercial vehicles (i.e. Secondary Comparable Companies) to provide Shareholders with a general overview on how automotive businesses are priced in Hong Kong stock market. The PERs of the Secondary Comparable Companies range from 4.72 times to 22.70 times with an average of 11.78 times and a median of 10.79 times. The PER as presented by the Offer Price is within the range of those of the Secondary Comparable Companies'. Given the PER as represented by the Offer Price is higher than all of the Primary Comparable Companies' and falls within the ranges of both Secondary Comparable Companies and Comparable Companies as a whole, the Offer Price of HK\$7.5, in our view, is fair and reasonable.

The premiums represented by the Offer Price over the closing price of H Share on the Last Trading Day and the average H Share closing prices for the last 5 days, 10 days, 30 days, 60 days and 90 day up to and including the Last Trading Day and the discount represented by the Offer Price to NAV per Share are all within the corresponding ranges of the Privatisation Precedents, which indicates the terms of the H Share Buy-back Offer are generally in line with the market.



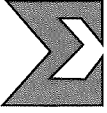
## OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out in our letter, we consider that (i) the H Share Buy-back Offer (including the Offer Price) is fair and reasonable so far as the Independent H Shareholders are concerned; (ii) the terms of the Voluntary Withdrawal of Listing are fair and reasonable, and the Voluntary Withdrawal of Listing is in the interests of the Company and the Shareholders as a whole; and (iii) the Voluntary Withdrawal of Listing is in the interest of the Independent H Shareholders. Accordingly, we advise the Independent H Shareholders to (i) accept the H Share Buy-back Offer; and (ii) vote in favour of the H Share Buy-back Offer and Voluntary Withdrawal of Listing resolutions at the EGM and H Shareholders Class Meeting.

**The Company has no rights under the laws of the PRC and the articles of association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Buy-back Offer. Accordingly, Independent H Shareholders are reminded that if they do not accept the H Share Buy-back Offer, and if the H Share Buy-back Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Hong Kong Stock Exchange, this will result in the Independent H Shareholders holding unlisted H Shares and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code and the Share Buy-backs Code (depending on whether it remains as a public company in Hong Kong under the Takeovers Code and the Share Buy-backs Code) after completion of the H Share Buy-back Offer, and the rights of Independent H Shareholders to certain information of the Company will be reduced.**

We would also like to remind the Independent H Shareholders to closely monitor the market price and liquidity of the H Shares during the offer period, and consider selling their H Shares in the open market, where possible, instead of accepting the H Share Buy-back Offer, if the net proceeds from such sales exceed the net amount receivable under the H Share Buy-back Offer.

As different Independent H Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent H Shareholders who may require advice in relation to any aspect of the Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.



Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. She has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*