

Capital Goods

New subsidies on truck replacement cover NES IV and natural gas trucks; +ve to Weichai

What is new? China's Ministry of Transport, National Development and Reform Commission (NDRC) and Ministry of Finance jointly announced on 18 Mar a circular regarding the policy on truck replacement [[关于实施老旧营运货车报废更新的通知](#)]. Subsidies level in 2025 will be largely the same as that in 2024. Key changes include: (1) the scope of subsidies cover the scrapping of both NES III & IV trucks; (2) the purchase of all trucks (previously only diesel trucks) will be eligible for subsidies.

Our view: The new subsidy programme enhances our positive view on the HDT sales this year, as (1) the fleet size of NES IV HDT accounts for 30% of the total HDT, which is sizable, based on our estimates; and (2) most importantly, the scope of new purchase will include natural gas trucks this year, whereas only diesel trucks were included last year. We believe **Weichai Power (2338 HK / 000338 CH, BUY)** will be a key beneficiary given its dominating market share in natural gas HDT engine (>60%). Our **HOLD-rated Sinotruk (3808 HK)** will also benefit.

Comparison of truck replacement subsidies (2025 vs 2024)

Scope of subsidies		Type of subsidies	Amount of subsidies (RMB 000/ truck)			
2025	2024					
1/1/2025-31/12/2025	31/7/2024-31/12/2024					
Scrapping of NES III or IV trucks	Scrapping of NES III or below diesel trucks	MDT	One to two years ahead of schedule Two to four years ahead of schedule More than four (included) years ahead of schedule	10 18 25		
		HDT	One to two years ahead of schedule Two to four years ahead of schedule More than four (included) years ahead of schedule	12 35 45		
			MDT		25	
			Purchase of NES VI trucks	Purchase of NES VI diesel trucks	HDT	Two-axle Three-axle Four or more axle
		Purchase of new energy trucks			MDT	
HDT	Two-axle Three-axle Four or more axle				70 85 95	
Scrapping of NES III or IV trucks + Purchase of NES VI trucks	Scrapping of NES III or below diesel trucks + Purchase of NES VI diesel trucks	Scrapping subsidy + Purchasing subsidy				
Scrapping of NES III or IV trucks + Purchase of new energy trucks	Scrapping of NES III or below diesel trucks + Purchase of new energy trucks	Scrapping subsidy + Purchasing subsidy				
Purchase of new energy refrigerated truck		New energy refrigerated truck	35			

Source: Ministry of Transport, CMBIGM

OUTPERFORM
(Maintain)

China Capital Goods Sector

Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Related reports:

Capital Goods – Who are the potential beneficiaries of Germany's mega infrastructure investment plan? 18 Mar 2025 ([link](#))

Capital Goods – Non-earth-moving machinery sales data mixed in Feb – 17 Mar 2025 ([link](#))

Capital Goods – Domestic excavator sales +99% YoY in Feb a surprise – 10 Mar 2025 ([link](#))

EHang Holdings (EH US, BUY) - First mover in eVTOL set to ride on the momentum of low-altitude economy – 25 Feb 2025 ([link](#))

Weichai Power (2338 HK / 000338 CH, BUY) – Expect strong volume growth of engines for data centres – 25 Feb 2025 ([link](#))

Capital Goods – A good start for earth-moving machinery sales in Jan – 12 Feb 2025 ([link](#))

Capital Goods – Export volume growth across all machines in Dec – 10 Jan 2025 ([link](#))

Capital Goods – Decent export growth across major machines in Nov; AWP stood out – 17 Dec 2024 ([link](#))

Capital Goods 2025 Outlook: Emerging markets the key growth driver; China market to be stabilized – 9 Dec 2024 ([link](#))

SANY Heavy (600031 CH, U/G to BUY) – Riding on the upcycle of excavator + overseas expansion – 9 Dec 2024 ([link](#))

Zhejiang Dingli (603338 CH, BUY) – Competitive advantage in place with reduced AD duties in EU – 29 Nov 2024 ([link](#))

Capital Goods – 3Q24 earnings review: SANY Heavy beat; Zoomlion missed; Weichai in-line – 31 Oct 2024 ([link](#))

Zhejiang Dingli (603338 CH, BUY) – 3Q24 net profit +38% YoY, beat expectation; US remains the most promising market – 30 Oct 2024 ([link](#))

Jiangsu Hengli (601100 CH, BUY) – 3Q24 earnings below expectations due to margin contraction – 29 Oct 2024 ([link](#))

Capital Goods – Who are trading the sector? Implications from CCASS data (30 Sep – 18 Oct) 21 Oct 2024 ([link](#))

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.