CIMC Vehicles (Group) Co., Ltd.
中集車輛(集團)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1839)

ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

Financial Highlights

		Year ended December 31,		
		2019	2018	Change
Revenue	*RMB'000*	**23,220,206**	24,168,174	-3.9%
Profit for the year	*RMB'000*	**1,326,461**	1,232,002	+7.7%
Profit attributable to owners of the Company	*RMB'000*	**1,210,643**	1,142,924	+5.9%
Gross profit margin	*%*	**12.9**	13.1	-0.2 pct point
Profit margin for the year	*%*	**5.7**	5.1	+0.6 pct point
Profit margin attributable to owners of the Company	*%*	**5.2**	4.7	+0.5 pct point
Earnings per share – Basic and diluted	*RMB*	**0.75**	0.76	-0.01

The Board of Directors (the "**Board**") of CIMC Vehicles (Group) Co., Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") announces the audited financial results of the Group for the year ended December 31, 2019 together with the comparative figures for the year 2018, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**23,220,206**	24,168,174
Cost of sales		**(20,235,437)**	(21,008,866)
Gross profit		**2,984,769**	3,159,308
Selling and distribution expenses		**(596,778)**	(574,043)
Administrative expenses		**(1,300,427)**	(1,220,608)
Net impairment losses reversal on financial assets and financial guarantee contracts		**1,181**	16,284
Other income	*5*	**367,747**	157,968
Other gains – net	*6*	**129,383**	82,470
Operating profit		**1,585,875**	1,621,379
Finance income		**104,777**	85,695
Finance costs		**(132,946)**	(160,095)
Finance costs – net		**(28,169)**	(74,400)
Share of net profit of associates and joint ventures		**13,037**	5,775
Profit before income tax		**1,570,743**	1,552,754
Income tax expense	*7*	**(244,282)**	(320,752)
Profit for the year		**1,326,461**	1,232,002
Attributable to:			
Owners of the Company		**1,210,643**	1,142,924
Non-controlling interests		**115,818**	89,078
		1,326,461	1,232,002
Earnings per share (expressed in RMB per share)			
– Basic and diluted	*8*	**0.75**	0.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**1,326,461**	1,232,002
Other comprehensive income:		
Items that maybe reclassified to profit or loss		
Currency translation differences	**61,679**	54,517
Cash flow hedges	**(141)**	(1,014)
Other comprehensive income for the year, net of tax	**61,538**	53,503
Total comprehensive income for the year	**1,387,999**	1,285,505
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,270,813**	1,195,860
Non-controlling interests	**117,186**	89,645
	1,387,999	1,285,505

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**–**	598,492
Property, plant and equipment		**4,016,070**	3,445,718
Right-of-use for land use rights		**746,961**	–
Right-of-use assets		**136,938**	–
Investment properties		**382,659**	392,052
Intangible assets		**554,772**	547,440
Investments accounted for using the equity method		**252,287**	230,882
Deferred tax assets		**169,667**	164,621
Other non-current assets		**59,178**	42,781
		6,318,532	5,421,986
Current assets			
Inventories		**3,829,425**	3,582,330
Tax recoverable		**117,581**	125,309
Other current assets		**12,227**	12,535
Contract costs		**10,668**	10,930
Trade and bill receivables	*10*	**2,304,107**	3,567,428
Prepayments and other receivables	*11*	**650,331**	706,831
Loans to related parties		**–**	174,846
Financial assets at fair value through profit or loss		**215,255**	–
Financial assets at fair value through other comprehensive income		**1,059,722**	–
Derivative financial instruments		**778**	3,496
Restricted cash		**278,780**	140,098
Cash and cash equivalents		**3,791,161**	2,616,979
		12,270,035	10,940,782
Assets held for sale		**92,517**	197,874
		12,362,552	11,138,656
Total assets		**18,681,084**	16,560,642

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As of December 31, 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**88,500**	310,604
Lease liabilities		**96,031**	–
Deferred income		**25,659**	22,607
Long-term payables		**562**	470
Deferred tax liabilities		**128,483**	133,620
		339,235	467,301
Current liabilities			
Trade and bill payables	*13*	**3,617,559**	3,066,537
Other payables and accruals	*14*	**2,001,109**	1,876,189
Contract liabilities		**524,557**	586,801
Borrowings	*12*	**1,566,176**	1,980,645
Lease liabilities		**27,276**	–
Income tax liabilities		**117,124**	103,204
Derivative financial instruments		**–**	376
Provisions		**125,417**	132,818
Deferred income		**141,957**	398,872
Other current liabilities		**–**	190
		8,121,175	8,145,632
Total liabilities		**8,460,410**	8,612,933
Net assets		**10,220,674**	7,947,709
EQUITY			
Share capital		**1,765,000**	1,500,000
Reserves		**3,682,651**	2,390,316
Retained earnings		**4,302,864**	3,597,364
Equity attributable to owners of the Company		**9,750,515**	7,487,680
Non-controlling interests		**470,159**	460,029
Total equity		**10,220,674**	7,947,709

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company					
	Paid-in capital/share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2018	1,482,661	1,448,326	3,674,551	6,605,538	403,874	7,009,412
Comprehensive income						
Profit for the year	–	–	1,142,924	1,142,924	89,078	1,232,002
Currency translation differences	–	53,950	–	53,950	567	54,517
Cash flow hedges	–	(1,014)	–	(1,014)	–	(1,014)
Total comprehensive income for the year	–	52,936	1,142,924	1,195,860	89,645	1,285,505
Transactions with owners in their capacity as owners						
Capital contribution from non-controlling interests	–	(14,357)	(1,885)	(16,242)	52,181	35,939
Acquisition of additional interest in a subsidiary	–	(8,163)	–	(8,163)	(32,912)	(41,075)
Profit appropriation to enterprise expansion fund/statutory surplus reserve	–	369,491	(369,491)	–	–	–
Transfer out of revaluation gain on properties	–	(52,662)	52,662	–	–	–
Shares issued upon capitalization of reserves	17,339	594,745	(612,084)	–	–	–
Dividend paid	–	–	(289,313)	(289,313)	–	(289,313)
Dividends distribution made by subsidiaries to non-controlling interests	–	–	–	–	(50,025)	(50,025)
Disposal of a subsidiary (loss of control)	–	–	–	–	(2,734)	(2,734)
Total transactions with owners in their capacity as owners	17,339	889,054	(1,220,111)	(313,718)	(33,490)	(347,208)
Balance at December 31, 2018	1,500,000	2,390,316	3,597,364	7,487,680	460,029	7,947,709

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2019	1,500,000	2,390,316	3,597,364	7,487,680	460,029	7,947,709
Comprehensive income						
Profit for the year	–	–	1,210,643	1,210,643	115,818	1,326,461
Currency translation differences	–	60,311	–	60,311	1,368	61,679
Cash flow hedges	–	(141)	–	(141)	–	(141)
Total comprehensive income for the year	–	60,170	1,210,643	1,270,813	117,186	1,387,999
Transactions with owners in their capacity as owners						
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs ("IPO")	265,000	1,132,737	–	1,397,737	–	1,397,737
Transaction with non-controlling interests	–	1,271	–	1,271	(929)	342
Acquisition of additional interest in a subsidiary	–	(6,986)	–	(6,986)	(81,840)	(88,826)
Transfer of statutory surplus reserves	–	105,143	(105,143)	–	–	–
Dividend paid	–	–	(400,000)	(400,000)	–	(400,000)
Dividends distribution made by subsidiaries to non-controlling interests	–	–	–	–	(33,294)	(33,294)
Disposal of interests in subsidiaries	–	–	–	–	9,007	9,007
Total transactions with owners in their capacity as owners	265,000	1,232,165	(505,143)	992,022	(107,056)	884,966
Balance at December 31, 2019	1,765,000	3,682,651	4,302,864	9,750,515	470,159	10,220,674

CONSOLIDATED CASH FLOW STATEMENT

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**2,076,166**	1,374,858
Income taxes paid	**(230,362)**	(291,557)
Net cash inflow from operating activities	**1,845,804**	1,083,301
Cash flows from investing activities		
Payments for property, plant and equipment	**(874,829)**	(791,466)
Payments for intangible assets	**(4,173)**	(18,216)
Payments for right-of-use for land use rights	**(100,642)**	–
Payments for land use rights	**–**	(60,206)
Proceeds from disposal of property, plant and equipment	**82,356**	122,680
Payment for acquisition of financial assets at fair value through profit or loss	**(196,451)**	–
Proceed from disposal of financial assets at fair value through profit or loss	**2,197**	419,850
Payments for acquisition of subsidiaries, net of cash acquired	**–**	(11,611)
Payments for acquisition of associates	**(13,130)**	(23,680)
Proceeds from disposal of associates and a joint venture	**–**	9,600
Proceeds from disposal of subsidiaries	**–**	190,325
Loans to related parties	**–**	(22,500)
Repayment of loans by related parties	**174,846**	162,300
Interest received from related parties	**18,025**	10,256
Dividends received from associates	**17,959**	2,328
Net cash outflow from investing activities	**(893,842)**	(10,340)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceeds of borrowings from related parties	**31,700**	1,047,707
Repayment of borrowings from related parties	**(931,765)**	(1,937,599)
Interest expenses paid to related parties	**(8,362)**	(112,361)
Proceeds from bank borrowings	**1,829,733**	1,430,400
Repayment of bank borrowings	**(1,466,129)**	(860,149)
Interest expenses for bank borrowings	**(120,056)**	(76,826)
Proceeds from issue of ordinary shares	**1,487,545**	–
Payments for ordinary shares issuance costs	**(74,061)**	(13,987)
Transaction with non-controlling interests	**(131,851)**	55,939
Distribution to shareholders in relation to business combination under common control	**–**	(202,936)
Dividend paid to owners of the Company	**(400,000)**	(611,703)
Dividend paid to non-controlling interests in a subsidiary	**(7,466)**	(28,074)
Cash payments for the principal portion of the lease liabilities	**(28,695)**	–
Net cash inflow/(outflow) from financing activities	**180,593**	(1,309,589)
Net increase/(decrease) in cash and cash equivalents	**1,132,555**	(236,628)
Cash and cash equivalents at the beginning of the year	**2,616,979**	2,810,813
Exchange gains on cash and cash equivalents	**41,627**	42,794
Cash and cash equivalents at end of year	**3,791,161**	2,616,979

1 GENERAL INFORMATION

CIMC Vehicles (Group) Co., Ltd. (the "**Company**") is a sino-foreign joint venture approved for incorporation by Wai Jing Mao He Zi Zheng Zi (1996) No. 0861 issued by the People's Government of Shenzhen on August 29, 1996, with an approved operating period of 30 years. On October 23, 2018, the Company was converted into a joint stock company with limited liability with registered capital of RMB1,500,000,000. The H shares of the Company were listed on the Main Board of the Stock Exchange on July 11, 2019.

The address of the Company's registered office is No. 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong province, the People's Republic of China (the "**PRC**").

The Company and its subsidiaries (hereinafter collectively referred to as "**the Group**") are mainly engaged in design, manufacturing and sales of an extensive range of semi-trailers and truck bodies and provision of relevant services in China, North America, Europe and other regions.

The ultimate holding company of the Company is China International Marine Containers (Group) Co., Ltd. ("**CIMC Group**"), which has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange of the PRC, respectively.

The consolidated financial statements for the year ended December 31, 2019 is presented in Renminbi ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, derivative financial instruments and investment properties, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 – Leases
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Investments in Associates and Joint Ventures
- Annual Improvements to IFRSs 2015 – 2017 Cycle
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- IFRIC 23 – Uncertainty over Income Tax Treatments

The Group has adopted IFRS 16 from its mandatory adoption date of January 1, 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) ***New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group as follows:

		Effective for the financial year beginning on or after
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint venture	To be determined

The above new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020 and have not been applied in preparing the consolidated financial statements. The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on January 1, 2019 were ranging from 2.57% to 5.79%.

(a) ***Practical expedients applied***

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases;

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a Lease.

(b) Measurement of lease liabilities

	RMB'000
Operating lease commitments as of December 31, 2018	171,008
Discounted using the lessee's incremental borrowing rates of at the date of initial application	138,003
(Less): low-value leases not recognized as a liability	(13,790)
(Less): short-term leases not recognized as a liability	(4,528)
Lease liability recognized as of January 1, 2019	119,685
Of which are:	
Current lease liabilities	17,515
Non-current lease liabilities	102,170
	119,685

(c) Measurement of right-of-use for land use rights and right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	January 1, 2019
	RMB'000
Land use rights	**605,265**
Buildings	**110,363**
Motor vehicles	**2,744**
	113,107
Total	**718,372**

(d) *Adjustments recognized in the balance sheet on January 1, 2019*

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increase by RMB113,107,000
- prepayments – decrease by RMB195,000
- lease liabilities – increase by RMB119,685,000
- right-of-use for land use rights – increase by RMB605,265,000
- land use rights – decrease by RMB598,492,000

3 SEGMENT INFORMATION

The Group's business activities, for which discrete consolidated financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (CODM). The Group's CODM has been identified as the Chief Executive Officer ("**CEO**"), who reviews internal reporting when making decisions about allocating resources and assessing performance of the Group. The CEO has determined the operating segments based on these reports. The CEO considers the business from customer's location perspective, and determines that the Group has the following operating segments:

- China;
- North America;
- Europe; and
- Other regions.

The Group currently does not allocate assets and liabilities to its segments, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report measure of total assets or total liabilities for each reportable segment.

The segment information provided to the CEO for the reportable segments for the relevant years is as follows:

	Year ended December 31, 2019				
	China *RMB'000*	**North America** *RMB'000*	**Europe** *RMB'000*	**Other regions** *RMB'000*	**Total** *RMB'000*
Sales of vehicles	**12,954,643**	**5,152,966**	**2,034,993**	**1,256,686**	**21,399,288**
Sales of parts and components	**582,254**	**608,500**	**295,903**	**14,563**	**1,501,220**
Other revenue	**185,311**	**–**	**126,073**	**8,314**	**319,698**
Revenue in total	**13,722,208**	**5,761,466**	**2,456,969**	**1,279,563**	**23,220,206**
Cost of sales of vehicles	**(11,481,799)**	**(4,435,986)**	**(1,848,715)**	**(1,048,278)**	**(18,814,778)**
Cost of sales of parts and components	**(473,388)**	**(553,540)**	**(225,824)**	**(11,649)**	**(1,264,401)**
Cost of other revenue	**(55,620)**	**–**	**(97,659)**	**(2,979)**	**(156,258)**
Cost in total	**(12,010,807)**	**(4,989,526)**	**(2,172,198)**	**(1,062,906)**	**(20,235,437)**
Gross profit	**1,711,401**	**771,940**	**284,771**	**216,657**	**2,984,769**

	Year ended December 31, 2018				
	China	North America	Europe	Other regions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales of vehicles	12,996,108	6,133,735	1,997,979	1,167,736	22,295,558
Sales of parts and components	671,611	501,696	301,267	13,583	1,488,157
Other revenue	238,702	–	135,888	9,869	384,459
Revenue in total	13,906,421	6,635,431	2,435,134	1,191,188	24,168,174
Cost of sales of vehicles	(11,653,878)	(5,197,197)	(1,796,359)	(1,010,849)	(19,658,283)
Cost of sales of parts and components	(471,307)	(457,329)	(229,584)	(10,867)	(1,169,087)
Cost of other revenue	(71,068)	–	(106,286)	(4,142)	(181,496)
Cost in total	(12,196,253)	(5,654,526)	(2,132,229)	(1,025,858)	(21,008,866)
Gross profit	1,710,168	980,905	302,905	165,330	3,159,308

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Segment gross profit	**2,984,769**	3,159,308
Selling and distribution expenses	**(596,778)**	(574,043)
Administrative expenses	**(1,300,427)**	(1,220,608)
Net impairment losses reversal on financial assets and financial guarantee contracts	**1,181**	16,284
Other income	**367,747**	157,968
Other gains – net	**129,383**	82,470
Financial costs – net	**(28,169)**	(74,400)
Share of net profit of associates and joint ventures	**13,037**	5,775
Income tax expense	**(244,282)**	(320,752)
Profit for the year	**1,326,461**	1,232,002

During the year ended December 31, 2019 and 2018, there is no revenue derived from a single external customer accounting for 10% or more of the Group's revenue.

4 REVENUE

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers:		
Sales of vehicles	**21,399,288**	22,295,558
Sales of parts and components	**1,501,220**	1,488,157
Other revenue	**249,160**	305,142
	23,149,668	24,088,857
Recognized at a point in time	**23,067,568**	23,998,030
Recognized over time	**152,638**	170,144
Revenue from other sources:		
Rental income	**70,538**	79,317
	23,220,206	24,168,174

5 OTHER INCOME

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**238,431**	42,355
Sales of scraps	**98,837**	65,750
Value-added services (a)	**21,764**	19,958
Others	**8,715**	29,905
	367,747	157,968

(a) Value-added services mainly represent procurement services of product insurance and other necessary certifications.

6 OTHER GAINS – NET

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Fair value gains on investment properties	**231**	44,454
Net foreign exchange gains	**45,624**	6,850
Net (losses)/gains on disposal of subsidiaries	**(9,571)**	49,555
Gains/(losses) on disposal of property, plant and equipment	**21,472**	(2,540)
Losses on disposal of intangible assets	**(657)**	–
Gains on disposal of right-of-use for land use rights	**34,582**	–
Write-off of payables	**8,607**	5,794
Losses on disposal of financial assets/liabilities at fair value through profit or loss	**(409)**	(15,788)
Fair value gains on financial assets/liabilities at fair value through profit or loss and derivative financial instruments	**18,843**	4,089
Net gains on disposal of associates and joint ventures	**177**	3,840
Penalty income	**7,441**	4,690
Compensation for early termination of lease agreement	**–**	(16,800)
Others	**3,043**	(1,674)
	129,383	82,470

7 INCOME TAX EXPENSE

The income tax expenses of the Group during each of the years ended December 31, 2019 and 2018 are analyzed as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**233,416**	302,449
Deferred income tax	**10,866**	18,303
Income tax expense	**244,282**	320,752

(a) Enterprise income tax in mainland China ("EIT")

The income tax provision of the Group in respect of its operations in the PRC is calculated at the tax rate of 25% on the assessable profits for the year ended December 31, 2019 and 2018, based on the existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Group in the PRC are approved as the "high and new technology enterprise" and accordingly, they are subject to a reduced preferential corporate income tax rate of 15% for the year ended December 31, 2019 and 2018.

(b) Corporate income tax in other jurisdictions

Some of the Group's subsidiaries are located in other jurisdictions, including Hong Kong, United States, Europe, East Asia and South Africa, etc., the respective rates prevailing in the relevant jurisdiction are ranging from 15% to 30%.

8 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the year ended December 31, 2019 and 2018. The Company was converted to a joint stock company on October 23, 2018, and 1,500,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capitals registered under these shareholders on September 21, 2018. This capitalization of share capital is applied retrospectively during the year ended December 31, 2018 for the purpose of computation of earnings per share.

	Year ended December 31,	
	2019	2018
Profit attributable to owners of the Company *(RMB'000)*	**1,210,643**	1,142,924
Weighted average number of ordinary shares in issue *(thousands of shares)*	**1,610,417**	1,500,000
Earnings per share – Basic *(RMB per share)*	**0.75**	0.76

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there are no potential diluted ordinary shares outstanding as of December 31, 2019 and 2018.

9 DIVIDENDS

Dividends declared by the Company to the shareholders are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Dividends payable:		
At the beginning of the year	**–**	721,360
Dividend declared	**400,000**	289,313
Dividend paid	**(400,000)**	(611,703)
Transfer to loans	**–**	(398,970)
At the end of the year	**–**	–

A final dividend in respect of the year ended December 31, 2019 of RMB0.45 per share has been proposed by the Board. The proposed final dividend in respect of 2019 is subject to the approval of shareholders in the forthcoming annual general meeting. The financial statements do not reflect this dividend payable as it has not been approved as at the balance sheet date.

10 TRADE AND BILL RECEIVABLES

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Bill receivables – third parties	**13,578**	891,389
Bill receivables – related parties	**–**	31,634
	13,578	923,023
Trade receivables – third parties	**2,350,360**	2,713,538
Trade receivables – related parties	**61,991**	71,969
	2,412,351	2,785,507
	2,425,929	3,708,530
Less: allowance for impairment	**(121,822)**	(141,102)
Total trade and bill receivables – net	**2,304,107**	3,567,428

(a) The credit terms of trade receivables granted by the Group are generally ranged from 30 days to 180 days. Aging analysis based on recognition date of the gross trade receivables are as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**1,872,486**	2,274,944
3 to 12 months	**414,206**	326,694
1 to 2 years	**37,282**	86,780
Over 2 years	**88,377**	97,089
	2,412,351	2,785,507

Aging of bill receivables is within one year as of December 31, 2019 (December 31, 2018: within 6 months).

(b) Movements on the provision for impairment of trade receivables as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**141,102**	178,595
Reversal of provision for impairment	**(5,230)**	(17,426)
Receivables written off as uncollectible	**(14,447)**	(20,073)
Currency translation differences	**193**	6
At the end of the year	**121,618**	141,102

The reversal of provision for impaired receivables have been included in "Net impairment losses reversal on financial assets and financial guarantee contracts" in the consolidated income statement.

(c) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**1,299,553**	1,050,439
USD	**818,243**	1,261,084
GBP	**182,242**	243,853
EUR	**33,105**	165,014
Others	**79,208**	65,117
	2,412,351	2,785,507

Bill receivables are mainly denominated in RMB as of December 31, 2019 and 2018.

11 PREPAYMENTS AND OTHER RECEIVABLES

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Prepayment for raw materials to third parties	**334,962**	338,939
Prepayment for raw materials to related parties	**6,412**	5,106
Prepayment for listing expense	**–**	16,939
	341,374	360,984
Less: provision for impairment	**(6,202)**	(6,461)
	335,172	354,523
Amounts due from related parties	**54,122**	63,886
Refundable tax	**49,415**	56,479
Rental and other deposits	**76,040**	78,857
Disbursement of vehicle mortgage loans	**48,460**	55,287
Other receivables from staffs and third parties	**94,972**	78,785
Others	**32,707**	81,144
	355,716	414,438
Less: provision for impairment	**(40,557)**	(62,130)
	315,159	352,308
Total prepayments and other receivables	**650,331**	706,831

12 BORROWINGS

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current liabilities:		
Loans from related parties	**–**	79,561
Bank borrowings, guaranteed *(a)*	**88,500**	231,043
	88,500	310,604
Included in current liabilities:		
Bank borrowings	**1,496,106**	694,639
Bank borrowings, guaranteed *(a)*	**62,600**	303,473
Loans from related parties	**–**	655,204
Loans from related parties, guaranteed	**–**	165,300
Loans from third parties	**2,190**	–
Discounted bills	**5,280**	162,029
	1,566,176	1,980,645
Interest payable to related parties	**–**	–
	1,566,176	1,980,645
	1,654,676	2,291,249

Except as disclosed in the table, all other borrowings are unsecured and unguaranteed.

(a) These bank borrowings are borrowed by the subsidiaries of the Company and guaranteed by the Company.

(b) As of December 31, 2019, the weighted average interest rate of long-term borrowings is 5.23% (December 31, 2018: 4.02%), and short-term borrowings is 4.24% (December 31, 2018: 4.38%), respectively.

As of December 31, 2019 and 2018, the Group's borrowings are denominated in following currencies:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**651,630**	1,210,694
USD	**609,361**	848,670
GBP	**328,489**	182,200
EUR	**57,975**	49,685
AUD	**7,221**	–
	1,654,676	2,291,249

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates whichever is earlier are as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
3 months or less	**452,593**	1,228,592
3 to 12 months	**1,202,083**	1,062,657
	1,654,676	2,291,249

(c) The repayment terms of the bank and other borrowings are as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**1,566,176**	1,980,645
1 to 2 years	**88,500**	6,561
2 to 5 years	**–**	304,043
	1,654,676	2,291,249

13 TRADE AND BILL PAYABLES

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Third parties	**3,528,921**	2,962,574
Related parties	**88,638**	103,963
	3,617,559	3,066,537

(a) The credit terms of trade payables granted by the suppliers of the Group is generally ranged from 30 days to 90 days. The aging analysis of trade and bill payables based on recognition date is as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
0-30 days	**2,482,882**	1,786,671
31-60 days	**772,185**	442,365
61-90 days	**150,027**	603,726
Over 90 days	**212,465**	233,775
	3,617,559	3,066,537

(b) The carrying amounts of the Group's trade and bill payables are denominated in the following currencies:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**2,879,111**	2,525,586
GBP	**317,914**	365,473
USD	**363,663**	104,221
EUR	**36,407**	31,611
AUD	**10,016**	26,027
Others	**10,448**	13,619
	3,617,559	3,066,537

(c) As of December 31, 2019 and 2018, the fair values of trade and bill payables approximated to their carrying amount.

14 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Amounts due to related parties	**155,452**	270,032
Dividends payable to non-controlling interests	**25,828**	–
Payroll and welfare payables	**637,560**	561,896
Deposits and temporary receipts	**201,565**	146,828
Deposits for quality guarantees	**215,546**	104,030
Freights expenses payable	**11,033**	110,156
Payables for equipment and land use rights	**24,201**	11,238
Financial guarantee for vehicle mortgage loans	**29,695**	23,705
Other taxes payables	**88,372**	111,590
Accrued expenses	**366,103**	353,789
Advance payment of assets held for sale	**118,265**	–
Accrued listing expenses	**21,453**	12,647
Others	**106,036**	170,278
	2,001,109	1,876,189

MANAGEMENT DISCUSSION AND ANALYSIS

According to the Global Trailer's 2018 top global OEM ranking list for semi-trailer manufacturers (in terms of sales volume), the Group was the world's No. 1 semi-trailer manufacturer in terms of sales volume. The Group primarily engages in the manufacture and sale of seven major categories of semi-trailers in global major markets, and also manufactures truck bodies for specialty vehicles and sells fully-assembled specialty vehicles in the China market. At the same time, the Group is also a leading manufacturer of refrigerated truck bodies in China.

Product portfolio:

(1) Seven major categories of semi-trailer products in the global markets include:

① Container chassis trailers

② Flatbed trailers and relevant derivative types, mainly including side-wall trailers and stake trailers

③ Curtain-side trailers

④ Van trailers

⑤ Refrigerated trailers

⑥ Tank trailers, mainly including dry bulk tank trailers and liquid tank trailers

⑦ Other special types of trailers, mainly including center-axle car carriers and terminal trailers

(2) Manufacture of truck bodies for specialty vehicles and sales of fully-assembled specialty vehicles in China [Note 1]:

- Truck bodies for urban dump truck
- Manufacture of truck bodies and sales of fully-assembled vehicles of cement mixer

(3) Manufacture of truck bodies and sales of fully-assembled vehicles of refrigerated truck [Note 2]

Note 1: "Manufacture of truck bodies for specialty vehicles and sales of fully-assembled specialty vehicles in China" refers to the truck body business for specialty vehicles of the Group, including the production for truck body of urban dump truck (i.e. "dump beds for dump trucks" in the Prospectus on the Global Offering of the Company dated June 27, 2019 (the "Prospectus") and truck body of cement mixer trucks (i.e. "mixers for mixer trucks" in the prospectus), as well as their vehicle sales.

Note 2: "Manufacture of van bodies and sales of fully-assembled vehicles of refrigerated van trailers" refers to the refrigerated van trailers business of the Group (i.e. "refrigerated trailers" in the Prospectus).

CHAPTER I 2019 BUSINESS REVIEW AND ANALYSIS

I. The Macro-environment and Changes in Industrial Demands

1. In 2019, as the global economic growth gradually slowed down in the wake of the escalation of the Sino-US trade war, the wave of globalization that has had propelled the expansion of the Group's global semi-trailer business faced a strong headwind for the first time.

2. Specialty vehicles in China, especially environmentally-friendly urban dump trucks and lightweight and durable cement mixer trucks which are the Group's major products, have benefited from the Chinese government's vigorous promotion of "environmental protection" and crackdown on "overloaded vehicles", and entered into a growth period.

3. With the increasing weight of service industries in gross domestic product ("**GDP of China**"), the fresh food logistics industry in China is entering into a long-term growth trend. This will fundamentally boost the domestic demand for refrigerated trucks and refrigerated trailers, and the outbreak of African swine fever in 2019 has accelerated this process.

II. Review on Core Business Performance

During the year ended December 31, 2019 ("**Reporting Period**"), the Group sold a total of 117,707 units of semi-trailers worldwide. A total of 46,267 sets of truck bodies for urban dump trucks and cement mixers and 4,455 units of refrigerated van trailers were sold in China. The revenue from global sales of semi-trailers and specialty vehicle parts and components business amounted to RMB1,501.2 million.

The revenue and gross profit margin of each core business are listed as follows:

1. 2019 Global semi-trailer business:

	Year ended December 31, 2019		
	Revenue *RMB in millions*	**Gross profit** *RMB in millions*	**Gross profit margin** *%*
China semi-trailer	5,106.7	597.0	11.7
The North America semi-trailer	5,153.0	717.0	13.9
Europe semi-trailer	2,035.0	186.3	9.2
Other markets semi-trailer	1,256.7	208.4	16.6
Subtotal	**13,551.4**	**1,708.7**	**12.6**

As a leading global semi-trailer manufacturer, the Group is directly affected by the macro-economic situation and fluctuation of demand from China, North America and Europe, the three major markets of semi-trailers. Therefore, the Group had lowered its expectation for the China market and North America markets at the beginning of 2019. With the solid foundation of "Global Operation" developed by the Group over the years and the "Local Knowledge" possessed by the management teams of our subsidiaries, the operation performance of our global semi-trailer business remained stable.

- **Semi-trailer business in China in 2019** -- The increased demands for the second-generation semi-trailers that meet the standards of "GB1589-2016"*(Note 3)* and "GB7258-2017"*(Note 4)* resulted from the Chinese government's quickened pace to address the issue of "over-limit vehicles" helped the Group exceed its expectation. As the specification and quality of the second-generation semi-trailers are significantly improved compared with that of the first-generation, the average selling price is higher. In addition, the second-generation semi-trailer is suitable to be produced by the factories with high-end production equipment such as the "Light Tower" Plants*(Note 5)*, which drove the gross profit margin in China semi-trailer business.

- **Semi-trailer business in North America in 2019** -- The business is mainly comprised of three major types of trailers: container chassis trailers, van trailer and refrigerated trailers. The Group has responded actively to the challenges posed by the trade war between China and the United States, but it is worth mentioning that:

  1. The tariff on container chassis trailers was 10% when performance targets were made in early 2019 and large customers were still keen on placing orders. On May 9, 2019, the U.S. government announced to increase the tariffs from 10% to 25% for US$200 billion worth of imported products from China since May 10, 2019. As a result, most large customers turned to a wait-and-see attitude, and new orders dropped sharply.

  2. The business of van trailers which has a long-established production based in North America experienced a steady rise with revenue reaching to RMB2,327.2 million, which was higher than expected.

  3. With respect to the North America refrigerated trailer business, although 40% of the components is imported from China, the impact of tariff surges has been effectively contained because the production and marketing are performed in the local market. In 2019, the revenue amounted to RMB1,344.0 million, significantly exceeding our expectation and reaching a record high.

Note 3: "GB1589-2016" refers to the External Dimensions, Axle Load and Quality Limit on Vehicles, Trailers and Trains (汽車、掛車及汽車列車外廓尺寸、軸荷及品質限值) (GB1589-2016): the national standard officially issued and implemented by the Chinese government on July 26, 2016 which regulates the limits of dimensions, axle load and quality for motor vehicles, trailers and road trains, aiming to eliminate semi-trailers that fail in terms of dimensions, axle load and technical requirements.

Note 4: "GB 7258-2017" refers to the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) (GB 7258-2017): the Chinese government issued its national standard the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) (GB7258-2017) (the "New GB7258") on September 29, 2017, effective from January 1, 2018. GB7258, as a safety standard for motor vehicle operation and vehicle manufacturing in China, is one of the basic standards of the automotive industry. This standard will replace the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (GB7258-2012), and will greatly improve the standard of safety protection devices for trucks and semi-trailers.

Note 5: The expression "Light Tower" Plants was first proposed by Mr. Li Guiping, an executive Director, Chief Executive Officer and President of the Group, in December 2013 and since then it was widely cited in the industry. For specific explanations of the expression, please refer to "Chapter III Business Outlook and Strategy – III. Key Initiatives to Improve Long-Term Competitiveness – 1. Manufacturing of truck bodies of specialty vehicles in China – 2) Improvement of ' Light Tower Plants'" and "Chapter III Business Outlook and Strategy – III. Key Initiatives to Improve Long-Term Competitiveness – 3. Trailer business in the PRC – 2) Improvement of "Light Tower" Plants.

- **Semi-trailer business in Europe in 2019 was flat compared to 2018.**

  SDC Trailers Ltd., a wholly-owned subsidiary of the Group, accounted for 66% of the revenue from the Europe market in 2019. It's worth mentioning that due to the impact of Brexit and the fact that it has not yet undergone effective integration after the acquisition, the company recorded losses in 2019. However, LAG Trailers N.V., a wholly-owned subsidiary located in Bree, Belgium, has recorded profit for three consecutive years after several years' effective integration.

- **Semi-trailer business in Other Markets in 2019** -- The business performance of semi-trailers in other markets improved steadily.

The revenue and gross profit margin of the global semi-trailer business of the Group in 2019 and 2018 and the percentage point changes are listed as follows. Particularly, in 2019, the changes in revenue of the semi-trailer business in the China were mainly because the iterative replacement of center-axle car carriers had been completed at the end of 2018 and such replacing demand was rare in 2019. The changes in revenue of the semi-trailer business in North America market were mainly due to a sharp drop in new orders for container chassis trailers in North America in the second half of the year.

	Year ended December 31,					
	Revenue			**Gross profit margin**		
	2019	2018	Change	**2019**	2018	Change
	RMB in millions	*RMB in millions*	*%*	*%*	*%*	*percentage point*
China semi-trailer	**5,106.7**	5,852.1	-12.7	**11.7**	11.2	+0.5
North America semi-trailer	**5,153.0**	6,133.7	-16.0	**13.9**	15.3	-1.4
Europe semi-trailer	**2,035.0**	1,998.0	1.9	**9.2**	10.1	-0.9
Other markets semi-trailer	**1,256.7**	1,167.7	7.6	**16.6**	13.4	+3.2
Subtotal	**13,551.4**	15,151.5	-10.6	**12.6**	12.9	-0.3

2. *2019 Manufacture of truck bodies for specialty vehicles and sales of fully-assembled specialty vehicles in China:*

	Year ended December 31, 2019		
	Revenue	**Gross profit**	**Gross profit margin**
	RMB in millions	***RMB in millions***	*%*
Manufacture and sales of truck bodies for specialty vehicles	**3,729.0**	**748.1**	**20.1**
Truck chassis and tractor unit	**3,647.7**	**42.0**	**1.2**
Subtotal	**7,376.7**	**790.1**	**10.7**

- The Group is the pioneer and technology leader in the commissioned variant business of urban dump trucks in China. In 2014, the Group also designed environmentally friendly urban dump truck which was exclusively designed for the export market. In recent years, while vigorously advocating environmental protection, the local governments in China also noticed that dump trucks without roof on the dump bed has caused dust to be easily blown and that the common cases of overloaded trucks endanger urban traffic safety. Therefore, from 2018 on, the local governments have successively promoted the replacement of existing quantity dump trucks with "compliant versions of environmentally-friendly urban dump trucks".

- The three plants of the Group located in Xi'an, Shaanxi Province, Zhumadian, Henan Province, and Shenzhen, Guangdong Province are equipped with advanced technology and are well-known for their high production efficiency and supreme quality in the industry. In 2019, the urban dump truck body business of the Group reached RMB1,585.6 million of revenue with a gross profit margin of 15.2%, both ranking in the top in the industry.

- Early in 2014 the Group first took the lead to launch to the market the lightweight and durable cement mixer trucks. The four plants located in Wuhu of Anhui Province, Luoyang City, Henan Province, Jiangmen City, Guangdong Province, and Yangzhou City, Jiangsu Province, sold a total of 20,980 units of cement mixer trucks in 2019, the highest sales achieved among our peers in China for three consecutive years, according to statistics from Specialty Vehicle Branch of the China Association of Automobile Manufacturers. This achievement was made because of the Central Chinese government's effective measures to crackdown on overloaded vehicles and enhance the safety of urban road transportation, as well as local governments' current effort to promote the replacement of existing large-capacity cement mixer trucks with small-capacity "compliance cement mixer trucks".

The revenue and gross profit margin of the manufacture of truck bodies for specialty vehicles and the sales of fully-assembled specialty vehicles of the Group in 2019 and 2018 and the changes thereof were set out as follows:

	Year ended December 31,					
	Revenue			Gross profit margin		
	2019	2018	Change	**2019**	2018	Change
	RMB in millions	*RMB in millions*	*%*	***%***	*%*	*percentage point*
Manufacture and sales of truck bodies for specialty vehicles	**3,729.0**	3,581.8	4.1	**20.1**	16.5	+3.6
Truck chassis and tractor unit	**3,647.7**	3,071.2	18.8	**1.2**	0.2	+1.0
Subtotal	**7,376.7**	6,653.0	10.9	**10.7**	9.0	+1.7

3. Manufacture of truck bodies for refrigerated trucks and sales of fully-assembled refrigerated trucks in China in 2019

- In 2005, the Group acquired a Sino-German joint venture in Jinan, Shandong Province, and renamed it CIMC Vehicles (Shandong) Co., Ltd. (中集車輛(山東)有限公司) (the "**Shandong CIMC Vehicles**"). Shandong CIMC Vehicles is a leading domestic manufacturer of refrigerated trucks equipped with progressive technology integrated the advanced board-making technology of North America refrigerated trailers into what it inherited from the original joint venture. Revenue of Shandong CIMC Vehicle in 2019 was approximately RMB216.1 million, with a gross profit margin of 19.9%.

- In recent years, the frozen food transportation and the professional cold chain distribution of fresh food has begun to show a healthy growth momentum. For example, the outbreak of African swine fever in 2019 has led to increased demand for "cold fresh meat hanging in refrigerated trucks." Shandong CIMC Vehicles has the highest sales volume in market sector of refrigerated trucks and van trailers.

- In addition, the Group's refrigerated van trailer factory in Zhenjiang City, Jiangsu Province, was put into official operation in January 2019, and its products have been widely accepted by professional customers in the Yangtze River Economic Belt and customers in Southeast Asia.

4. *Sales of parts and components for semi-trailer and specialty vehicle business in 2019:*

	Year ended December 31, 2019		
	Revenue *RMB in millions*	**Gross profit** *RMB in millions*	**Gross profit margin** *%*
China market	582.2	108.8	18.7
North America market	608.5	55.0	9.0
Europe market	295.9	70.1	23.7
Other markets	14.6	2.9	19.9
Subtotal	**1,501.2**	**236.8**	**15.8**

The global parts and components business is related to the stock of sold semi-trailers and specialty vehicles. The larger the total stock sold, the greater the demand for parts and components for after-sales maintenance.

The parts and components sold by the Group in China and Europe are mainly dedicated ones for semi-trailers and specialty vehicles; while those sold in North America include generic quick-wear and consumable parts produced by third-party suppliers, in addition to the special ones. Relying on the self-owned warehousing facilities and dealer network, the Group plays as a wholesaler to speed up capital turnover, thus guaranteeing stable revenue with high sales revenue, while the gross profit margin is low.

As users become more and more concerned about the Total Ownership Cost[Note 6] of truck bodies for semi-trailers and specialty vehicles, customers will be more inclined to use special parts and components provided by the Group to maintain their vehicles.

Note 6: "Total Ownership Cost ("TOC")" is a tool that helps organizations evaluate, manage, and reduce all costs associated with acquiring an asset within a certain time-frame. TOC includes the sum of the cost of asset purchases and the costs incurred throughout its life cycle.

The revenue from the sales of parts and components of truck bodies for semi-trailer and specialty vehicles of the Group in 2019 has generally remained stable. The revenue, gross profit margin and changes in 2019 and 2018 were set out as follows:

	Year ended December 31,					
	Revenue			Gross profit margin		
	2019	2018	Change	**2019**	2018	Change
	RMB in millions	*RMB in millions*	*%*	***%***	*%*	*percentage point*
China market	**582.2**	671.6	-13.3	**18.7**	29.8	-11.1
North America market	**608.5**	501.7	21.3	**9.0**	8.8	+0.2
Europe market	**295.9**	301.3	-1.8	**23.7**	23.8	-0.1
Other markets	**14.6**	13.6	7.4	**19.9**	19.9	0.0
Subtotal	**1,501.2**	1,488.2	0.9	**15.8**	21.4	-5.6

5. *Other businesses in 2019:*

Other businesses in 2019: the Group's other businesses mainly included: (1) sales of other types of vehicles such as sanitation trucks; (2) others, including rental and maintenance fee income and other value-added business income.

The revenue and gross profit margin of other businesses in 2019 and 2018 and the changes were set out as follows:

	As of December 31,					
	Revenue			Gross profit margin		
	2019	2018	Change	**2019**	2018	Change
	RMB in millions	*RMB in millions*	*%*	*%*	*%*	*percentage point*
Sales of other types of vehicles	**188.3**	294.7	-36.1	**22.9**	20.3	+2.6
Others	**319.7**	384.5	-16.9	**51.1**	52.8	-1.7

III. Review of Consolidated Financial Results and Explanation

The revenue of the Group in 2019 was RMB23,220.2 million, and the net profit was RMB1,326.5 million, basically accorded with the expectation of the Group.

1. On November 13, 2017, Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. (揚州中集通華專用車有限公司) (the "**Yangzhou Tonghua**"), a subsidiary of the Group, entered into a Relocation and Compensation Agreement (the "**Relocation and Compensation Agreement**") with the Demolition Management Office of Yangzhou Economic and Technical Development Zone (揚州經濟技術開發區拆遷安置管理辦公室) (the "**Demolition Management Office**"). Pursuant to the Agreement, Yangzhou Tonghua shall relocate in phases during the three years of 2018, 2019 and 2020, and the Demolition Management Office shall make phased compensation based on the relocation schedule. As stipulated in the agreement, the total cash compensation made by Demolition Management Office to Yangzhou Tonghua for the relocation project shall be RMB800.0 million. Based on the relocation completed and the land and property transferred to the government by Yangzhou Tonghua in 2019, the Group has recorded other income of RMB204.4 million in 2019.

2. Benefited from the favorable investment environment of Yangzhou Economic and Technological Development Zone, the Group has obtained sufficient land in the development zone to expand the existing "Light Tower" Plants. In 2019, the Group invested more than RMB206.0 million to build a digital semi-trailer plant for Yangzhou Tonghua, and invested the establishment of a digital tank truck plant for Yangzhou Tonghua to support the relocation in 2020.

3. In June 2019, the Company declared and paid a special dividend of RMB400.0 million to the shareholders prior to the listing on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

CHAPTER II FINANCIAL POSITION AND ANALYSIS

I. Effect of the Listing on the Financial Position of the Group

1. Changes in the Group's total assets and net assets

	As of December 31, 2019 *RMB in millions*	**As of December 31, of 2019 (excluding cash inflows from IPO proceeds)** *RMB in millions*	As of December 31, 2018 *RMB in millions*
Total assets	**18,681.1**	**17,267.6**	16,560.6
Net assets	**10,220.7**	**8,807.2**	7,947.7

The proceeds from the Global Offering were deposited in a special account until the end of 2019, which has no substantial impact on the operating results in 2019.

2. Changes in the Group's cash and cash equivalents

	Year ended December 31, 2019 *RMB in millions*	**Year ended December 31, 2019 (excluding cash inflows from IPO proceeds)** *RMB in millions*	Year ended December 31, 2018 *RMB in millions*
Changes in cash and cash equivalents	**1,174.2**	**-239.3**	-193.8

The cash inflows from operating activities in 2019 was RMB1,845.8 million (2018: RMB1,083.3 million).

The investment in long-term assets, such as fixed assets, intangible assets, etc, in 2019 was RMB979.6 million (2018: RMB869.9 million).

In 2019, a special dividend of RMB400.0 million was declared and paid by the Company to then existing shareholders prior to the listing on the Hong Kong Stock Exchange (2018: RMB611.7 million).

3. *Changes in the Group's Return on Equity (ROE)*

The audited net profit in 2019 was RMB1,326.5 million (2018: RMB1,232.0 million).

	Year ended December 31, 2019 %	**Year ended December 31, 2019 (excluding cash inflows from IPO proceeds) %**	Year ended December 31, 2018 %
Return on equity (ROE)[1]	**14.6**	**15.8**	16.5

(1) Calculated by the net profit of the Group divided by the average of total equity at the beginning and the end of the year.

II. Investment in Core Assets to Promote the Upgrading of Production Lines in 2019

2019 is the third year in which the Group has continued to promote the construction of the "Light Tower" Plants for global semi-trailer, the production of truck bodies for specialty vehicles in China and the refrigerated vans in China. The related investment in 2019 amounted to RMB446.0 million (2018: RMB319.8 million).

The core projects of annual investment in 2019 included:

1. "Light Tower" Plants for Semi-trailer: **RMB286.0 million**

   – Semi-trailer "Light Tower" Plant in Yangzhou, Jiangsu Province

   – Semi-trailer "Light Tower" Plant in Zhumadian, Henan Province

2. "Light Tower" Plants for Truck Bodies for Specialty Vehicles: **RMB70.0 million**

   – "Light Tower" Plant for Truck Bodies for Urban Muck Trucks in Xi'an, Shaanxi Province

   – "Light Tower" Plant for Truck Bodies for Urban Muck Trucks in Zhumadian, Henan Province

   – "Light Tower" Plant for Truck Bodies for Urban Muck Trucks in Shenzhen, Guangdong Province

   – "Light Tower" Plant for Truck Bodies for Mixer Trucks in Wuhu, Anhui Province

3. "Light Tower" Plant for Refrigerated Trucks and Vans: **RMB90.0 million**

   – "Light Tower" Plant for Refrigerated Truck Bodies in Jinan, Shandong Province

   – "Light Tower" Plant for Refrigerated Van Bodies in Zhenjiang, Jiangsu Province

III. Significant Investment during the Reporting Period

During the Reporting Period, the Group did not hold any significant investment.

As at December 31, 2019, the Group did not hold any significant investments that accounted for 5% and more of the Group's total assets.

IV. Details of Material Acquisitions and Disposals related to Subsidiaries, Associates and Joint Ventures

During the Reporting Period, except for the material acquisitions and disposals disclosed in the section headed "History, Conversion and Corporate Structure" in the Prospectus, the Group had no material acquisitions and disposals related to subsidiaries, associates and joint ventures.

V. Plans for Significant Investment or Purchase of Capital Assets in the Future and Its Financing Proposals

Save as disclosed in this announcement, there was no plan approved by the Board for other future material investments or purchases of capital assets in the future at of the date of this announcement.

VI. Use of Proceeds from the Global Offering in 2019

Since July 11, 2019 (the "**Listing Date**"), the H Shares of the Company have been listed and traded on the Hong Kong Stock Exchange. The Company has issued a total of 265,000,000 H Shares in the Global Offering. After deducting the underwriting fees and expenses on the Global Offering, the net proceeds from the Global Offering is approximately HK$1,575.2 million. The nominal value of the H Shares is RMB1.00 per H Share.

On December 5, 2019, the Board resolved to change the use of the net proceeds from the Global Offering. For relevant information, please refer to the announcement on change in use of the net proceeds from the Global Offering published by the Company on the same date and further announcement dated March 25, 2020.

The use of the net proceeds from the Global Offering and its utilization as of 31 December 2019 , which are intended to be utilized in the next five years, are as follows:

Intended Use of Net Proceeds	Original Intended Amount *(HK$ in millions)*	Utilized Amount as of 31 December 2019 *(HK$ in millions)*	Unutilized Amount as of 31 December 2019 *(HK$ in millions)*
Develop new manufacturing or assembly plants and upgrade the marketing model	**1,102.7**	**–**	**1,102.7**
— Develop a new automated production facility for chassis trailers in the coastline regions along the eastern or southern US	220.5	–	220.5
— Develop a new assembly plant for high-end refrigerated trailers in the UK or Poland	220.5	–	220.5
— Develop a new automated production facility for refrigerated trailers in Monon, the US	165.4	–	165.4
— Develop a new assembly plant for curtain-side trailers in the Midlands region of the UK	165.4	–	165.4
— Develop a new assembly plant for swap bodies and chassis and flatbed trailers in the Netherlands	105.3	–	105.3
— Develop a new assembly plant for refrigerated trailers in Canada	39.0	–	39.0
— Develop a new manufacturing plant in Jiangmen	87.0	–	87.0
— Upgrade the marketing model in China	99.6	–	99.6
Research and develop new products	**157.5**	**–**	**157.5**
— Develop high-end refrigerated trailers	63.0	–	63.0
— Develop other smart trailers	31.5	–	31.5
— Invest in product standardization, unit weight reduction and modularization in our Europe and US plants	31.5	–	31.5
— Develop other trailer products	31.5	–	31.5
Repay the principal amount and interests of bank borrowings	**157.5**	**–**	**157.5**
Working capital and general corporate purposes	**157.5**	**1.3**	**156.2**
Total	**1,575.2**	**1.3**	**1,573.9**

VII. Liquidity and Financial Resources

As of December 31, 2019, the Group had cash and cash equivalents of RMB3,791.2 million (December 31, 2018: RMB2,617.0 million). As of December 31, 2019, the Group had borrowings of RMB1,654.7 million (December 31, 2018: RMB2,291.2 million).

	As of December 31,	
	2019	2018
	RMB in millions	*RMB in millions*
Long-term borrowings		
– Loans from related parties	**–**	79.6
– Bank borrowings, guaranteed	**88.5**	231.0
Subtotal	**88.5**	310.6
Short-term borrowings		
– Bank borrowings	**1,496.1**	694.6
– Bank borrowings, guaranteed	**62.6**	303.5
– Loans from related parties	**–**	655.2
– Loans from related parties, guaranteed	**–**	165.3
– Loans from third parties, unguaranteed	**2.2**	–
– Discounted bills	**5.3**	162.0
Subtotal	**1,566.2**	1,980.6
Total borrowings	**1,654.7**	2,291.2

The table below sets forth the repayment periods of the Group's borrowings as below:

	As of December 31,	
	2019	2018
	RMB in millions	*RMB in millions*
Within one year	**1,566.2**	1,980.6
One to two years	**88.5**	6.6
Two to five years	**–**	304.0
Total	**1,654.7**	2,291.2

In 2019, the Group's major cash inflow items include: (1) net cash inflow generated from operating activities of RMB1,845.8 million (2018: RMB1,083.3 million); (2) proceeds from the issuance of H Shares in the Hong Kong Stock Exchange.

There is no seasonal variation in the Group's borrowing needs. As of December 31, 2019, the weighted average interest rate for short-term borrowings was 4.24% (December 31, 2018: 4.38%) per annum, and that for long-term borrowings was 5.23% (December 31, 2018: 4.02%) per annum. Borrowings at fixed interest rates were approximately RMB539.4 million (December 31, 2018: RMB893.9 million). It is expected that the Group's short-term borrowings will be repaid by its own funds, bank credit facilities or proceeds from the Global Offering, and long-term borrowings will be repaid by its own funds bank credit facilities or proceeds from the Global Offering. In 2019, the Group has maintained sufficient cash at bank and on hand to repay all borrowings as they fell due, and there was no material default in terms of borrowings.

As of December 31, 2019, the Group had current assets of RMB12,362.6 million (December 31, 2018: RMB11,138.7 million), and current liabilities of RMB8,121.2 million (December 31, 2018: RMB8,145.6 million). As of December 31, 2019, the Group's current ratio was approximately 1.5 times (December 31, 2018: 1.4 times). The current ratio equals to total current assets divided by total current liabilities. The increase in the current ratio was mainly due to an increase in cash and cash equivalents of the Group arising from public offering of H Shares in Hong Kong in July 2019.

VIII. Capital Structure

In 2019, the Group had been adopting a prudent financial management policy and handling capital expenditures with caution. After the Reporting Period, the Group will continue to monitor its liquidity and financial resources, and manage them to maintain a good gearing ratio. As of December 31, 2019, the Group's gearing ratio (equal to total borrowings divided by total equity multiplied by 100%) was 16.2% (December 31, 2018: 28.8%). The decrease in gearing ratio was mainly due to the Group's successful listing on the Hong Kong Stock Exchange and 265,000,000 H shares were issued under the Global Offering and due to the repayment of due borrowings during the year.

As of December 31, 2019, the Group's cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollar and US dollar, and borrowings were also mainly denominated in Renminbi and US dollar. The Group was exposed to foreign exchange risk primarily through sales and purchases, capital expenditures and other expenses that are denominated in a currency other than the functional currency of the relevant subsidiaries. The Group's foreign exchange exposure mainly arises from the conversion of Renminbi against US dollar, Great Britain Pound, Hong Kong dollar and Euro. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposure and minimize these exposures through entering into foreign exchange forward and swap contracts. The effective period of the Group's hedging activities must not exceed six months or the term of the relevant borrowings. The management of the Group continues to monitor the market environment and its own foreign exchange risk profile on a regular basis, and considers appropriate hedging measures when necessary. As of December 31, 2019, the foreign exchange forward contracts held by the Group were mainly outstanding US dollar to Renminbi forward contracts and Japanese yen to Renminbi forward contracts with a notional amount of US$16.0 million and JPY200.0 million.

IX. Capital Commitments

As of December 31, 2019, the Group's capital commitments were approximately RMB201.6 million (December 31, 2018: approximately RMB72.7 million), representing a year-on-year increase of 177.3%, mainly because the Group has been establishing a new automated production facility for refrigerated trailers in North America to further enhance our production capacity and efficiency. The Group has funded and will continue to fund a substantial portion of our capital commitments from operating cash flow and the proceeds, and may utilize borrowings to provide required funds if a financing gap still exists. In 2019, our capital commitments were mainly attributable to the construction or purchase of manufacturing plants and equipment which had been authorized and contracted.

X. Pledge of the Group's Assets

As of December 31, 2019, no property, plant and equipment, investment properties, intangible assets, other non-current and current assets have been pledged except for the pledge for certain bank deposits as disclosed in "Financial guarantees".

XI. Contingent Liabilities

(1) Financial guarantees

The Group entered into financial guarantee contracts relating to vehicle mortgage loans mainly with Huishang Bank, Industrial Bank, Shandong HOWO Auto Finance Co., Ltd. (山東豪沃汽車金融有限公司) and CIMC Finance Company Ltd., (中集集團財務有限公司) to provide guarantees in respect of banking facilities granted to dealers and customers of the Group, who had drawn down loans under banking facilities granted to settle outstanding payables arising from purchasing of vehicles from the Group. As of December 31, 2019, the outstanding balance of the above guarantees provided by the Group to dealers and customers totalled RMB1,786.0 million (December 31, 2018: RMB1,253.5 million), and the bank deposits pledged for these guarantees were RMB139.4 million (December 31, 2018: RMB89.3 million).

(2) Outstanding performance bond and letter of credit

As of December 31, 2019, the Group had outstanding performance bond and letter of credit of a total of RMB4.1 million (December 31, 2018: RMB2.4 million).

XII. 2019 Final Dividend and Payment Arrangement

The Board recommended to distribute 2019 final dividend (the "**2019 Final Dividend**") of RMB0.45 per ordinary share (tax inclusive), which will be paid in cash on or before Thursday, July 30, 2020 but shall be subject to the approval from shareholders at the annual general meeting (the "**AGM**") to be held on Monday, June 22, 2020. In respect of the payment of the 2019 Final Dividend, domestic Shareholders will be paid in Renminbi and H Shareholders will be paid in Hong Kong dollar. The exchange rate will be determined based on the middle exchange rate of Renminbi to Hong Kong dollar published by the People's Bank of China on the first business day in Hong Kong immediately following the date of the AGM. The Group will make separate disclosure in respect of the specific arrangements for the declaration and payment of the 2019 final dividend and the timing for the closure of register of members of H shares.

XIII. Significant Events Occurring after the Reporting Period

In January 2020, there was an outbreak of COVID-19 in China and its impact on China's economic activities has been self-evident. In addition, the spread of the epidemic will also have a huge impact on global economic activities. Facing the emergent situation, the Group has established senior management teams and working groups for epidemic prevention work at the headquarters and subordinate enterprises respectively, to organize the resumption of work and production of headquarters and subordinate enterprises in a step-by-step and orderly manner from February 3, 2020. On one hand, through the use of remote office software such as CIMC IWORK and DingTalk to support the "remote office" + "work at the office" model of the Company, not only has the progress of works remained unaffected, but also employees' safety is assured to the greatest extent. On the other hand, digital information on the resumption of work and production of various enterprises is collected everyday to help enterprises to make scientific and orderly arrangements for resumption of work. As of March 8, 2020, the average resumption rate of the Group's enterprises was 92%, and the average recovery rate of overall production capacity was 86%.

On 15 January 2020, the Sino-US Phase One Trade Deal was entered into in the United States. At the same time, both parties reached an agreement that the United States will fulfill its relevant commitments to remove the imposed additional tariffs on products of Chinese origin in phases to revert the progressive rising track of tariffs. However, as of the date of this announcement the Sino-US Phase One Trade Deal has not yet agreed on specific tariff adjustment arrangements. The outbreak of the COVID-19 in 2020 is sure to have great impact on the global economy. On one hand, the Group will closely monitor the progress of the negotiations on the Sino-US Phase Two Trade Deal, so as to make corresponding adjustments in business strategies in the case of a possible ease of economic and trade relations. On the other hand, the Group will promote the construction of refrigerated trailers plants in Sarnia, Ontario, Canada, and Monon, Indiana, USA and container chassis trailers plants in Emporia, Virginia and South Gate, California, USA as scheduled.

The Group has assessed that the COVID-19 outbreak and the Sino-US Phase One Trade Deal may have potential impact on the market and customer demands. The overall financial effect of the above cannot be reliably estimated as of the date of the consolidated financial statements. The Group will monitor to the development of the above events closely and evaluate its impact on the financial position and operating results of the Group.

CHAPTER III BUSINESS OUTLOOK AND STRATEGY

I. Changes in Macro environment and Industrial Landscape

Entering 2019, the globalization of manufacturing industry experienced headwinds: the Sino-US trade war escalated, and the demand for semi-trailer in Europe also fall into the phase of cyclical downward adjustment. Meanwhile, China's transportation industry encountered a window of opportunity for "upgrading". The opportune period started from 2016, during the period from 2016 to 2019, we witnessed the comprehensive replacement of semi-trailer liquid tank trailers used for the transportation of hazardous chemicals, car carriers used for the logistics of passenger cars, the upgrading of semi-trailer used for e-commerce logistics from general-purpose stake trailers and flatbed trailers to van trailers or transitional chassis trailers + van bodies in China.

With the new national standard of second-generation semi-trailers (GB1589-2016[Note 3], GB7258-2017[Note 4]) coming into force in 2020, the 17.5 meters long flatbed trailers and over-length fence trailers which are dominating most of the China's long-distance road transport market will be replaced by compliant van trailers and curtain-side trailers. Given the vast number of this type of semi-trailers, it is estimated that it will take 3 to 4 years to complete the replacement by our estimation. In addition, demand for refrigerated trailers for long-distance cold chain transportation will climb up quickly, and large refrigerated vans trailer will completely replace illegally modified second-hand shipping refrigerated containers.

The "over-limit and overload" regulating efforts by the PRC government turned the partial "upgrading" of semi-trailers in China to a comprehensive one.

Truck bodies for specialty vehicles, especially environmental urban muck trucks in China that the Group has vigorously operated, as well as light and durable cement mixer trucks benefit from the Chinese government's efforts to promote environmental protection and regulate the vehicle overloading at the micro level, thus entering a favorable period of rapid development.

China's fresh food logistics has entered a long-term growth cycle along with increased proportion of the service industry in GDP. This trend will fundamentally boost the demand for refrigerated trailers and refrigerated van trailers in China. The outbreak of African swine fever in 2019 has accelerated this process.

During the outbreak of COVID-19 epidemic, demand for fresh food delivery to home has ignited demand for refrigerated van trailers.

After the COVID-19 epidemic, massive infrastructure construction, which may be launched around China, which would ignite the demand for compliant urban muck trucks and compliant cement mixer trucks in 2020.

II. Future Developments and Challenges

The Group will ride on opportunities to strengthen its solid position in environment-friendly urban dump trucks, and put more efforts to work with tractor manufacturers to enhance the scale of manufacturing and procurement, adding value to the tractor manufacturers.

Note 3: "GB1589-2016" refers to the External Dimensions, Axle Load and Quality Limit on Vehicles, Trailers and Trains (汽車、掛車及汽車列車外廓尺寸、軸荷及品質限值) (GB1589-2016): the national standard officially issued and implemented by the Chinese government on July 26, 2016 which regulates the limits of dimensions, axle load and quality for motor vehicles, trailers and road trains, aiming to eliminate semi-trailers that fail in terms of dimensions, axle load and technical requirements.

Note 4: "GB7258-2017" refers to the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) (GB7258-2017): the Chinese government issued its national standard the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) (GB7258-2017) (the "New GB7258") on September 29, 2017, effective from January 1, 2018. GB7258, as a safety standard for motor vehicle operation and vehicle manufacturing in China, is one of the basic laws of the automotive industry. This standard will replace the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (GB7258-2012), and will greatly improve the standard of safety protection devices for trucks and semi-trailers.

The Group will seize opportunities to strengthen its leading position in light and durable cement mixer trucks, trying to jointly design with tractor manufacturers to cut down the Total Ownership Cost[Note 6]; jointly carry out new marketing campaigns with tractor manufacturers to bring better experience to users for purchasing.

The Group will continue to expand its presence in manufacturing plants of truck bodies for refrigerated van trucks, accelerate the development of new-generation product modules and production technologies, in order to prepare well for the forthcoming development.

The Group will seize the opportunity for upgrading semi-trailers in China by capitalizing on new marketing and retail channels to improve the sales of second-generation trailers, as well as the gross profit margin of products.

The Group will respond quickly to the impact of Sino-US trade war by promoting localized manufacturing of trailers in North America and Europe, the Group reduce the cost of localized manufacturing by virtue of "Light Tower" Plants and global supply chain.

III. Key Initiatives to Improve Long-Term Competitiveness

1. Manufacturing of truck bodies of specialty vehicles in China

1) Upgrade of "Product Module"

Since its launch of the first generation of environment-friendly urban dump trucks at the Xi'an plant in 2014, the Group has carried out four iterative upgrades in their truck body module, fender module, cover module and skirt module. The 2019 model has fully adopted U-shaped bodies made of ultra-high-strength and wear-resistant steel, aluminum alloy skirts and highly reliable fenders and covers. Leveraging the trend of gravel transport transformation, the Group has successfully developed truck bodies for gravel trucks.

Since its launch of the first-generation light and durable cement mixer trucks in 2014, the Group has also carried out three iterations on mixer tank module and mixing blade module. Currently, we are upgrading the feeding devices from manual to hydraulic operation, and developing "smart interconnection and image monitoring module" to improve fleet management efficiency.

2) Improvement of "Light Tower" Plants

In order to support the upgrade of product modules and respond to requirements for environmental protection, the Group has commenced to build "Light Tower" plants of truck bodies for specialty vehicles in its original factory buildings since 2017. Currently the Group has built up five "Light Tower" plants of truck bodies for specialty vehicles.

Note 6: Total Ownership Cost ("TOC") is a tool that helps organizations evaluate, manage, and reduce all costs associated with acquiring an asset within a certain time frame. TOC includes the sum of the cost of asset purchases and the costs incurred throughout its life cycle.

Plant	Urban dump trucks bodies	Mixer trucks bodies
Xi'an City, Shaanxi Province	●	
Zhumadian City, Henan Province	●	
Shenzhen City, Guangdong Province	●	
Wuhu City, Anhui Province		●
Jiangmen City, Guangdong Province		●

Features of the "Light Tower" Plants of truck bodies for specialty vehicles are as follows:

1) Adopt high precision feeding devices.

2) Adopt ultra-large pressing equipment (to process ultrahigh-strength large product modules).

3) Adopt automated welding and robotic welding.

4) Adopt electrophoresis with high automation, low VOCs emission, and robot-controlled powder coating system.

5) Adopt a paced assembly line.

The Group is in the process of improving the existing five "Light Tower" Plants of specialty vehicles, and upgrading two manufacturers of truck bodies for specialty vehicles located in Yangzhou, Jiangsu Province and Luoyang, Henan Province.

3) *Kick-off of "Sales and Marketing Transformation"*

The production of bodies for urban dump trucks is closely related to tractor manufacturers. The Group, in the principle of "strong horse with strong saddle", focuses on providing first-class products and fast delivery services to selected tractor manufacturers and, playing the role as a "royal baby-sitter", increase the value to those manufacturers.

The Group actively participates in the sales and after-sales services of cement mixer trucks, trying to design and market and sell vehicles jointly with tractor manufacturers, so as to provide an integrated and seamless shopping experience for consumers.

4) *Promotion of the Organizational Restructuring*

At early 2012, the Group began to implement "simplified administration and delegation" in manufacturers of truck bodies for specialty vehicles. The General managers of each enterprise were fostered and grew into entrepreneurs, and enterprises were encouraged to establish close partnerships with vehicle manufacturers for which they serve. In addition, the Group organized and coordinated the upgrade of product modules and the construction of "Light Tower" plants by arranging personnel rotation.

2. *Manufacturing of bodies for refrigerated van trucks in China*

1) *Upgrade of the "Product Module"*

The Group's plant in Jinan, Shandong Province operates two product series: JNKOGEL and GREENBODY. The plant in Zhenjiang, Jiangsu Province operates one product series: GREENBODY. Attempts are being made by the Group to upgrade rear door module, side panel module, and side door module, and the design of bottom plate for single-piece production is tried to modularize for improving efficiency.

2) *Construction of "Light Tower" Plant*

The Group is utilizing the technology in "Light Tower" Plant of refrigerated trailers to transform two plants manufacturing refrigerated truck and trailers. It is planning to invest in a new "Light Tower" Plant of refrigerated truck and trailers in Guangdong Province.

3. *Trailer business in China*

1) *Upgrade of the "Product Module"*

Under the guidance of GB1589-2004[Note 7], the Group has gradually developed the first-generation core product modules for seven categories of trailers[Note 8] since 2002. The first-generation product modules are built based on the following two features:

A) It is designed based on the operating conditions of overload and low speed driving.

B) It is manufactured based on limited quantities and personalized requirements of customers.

The above features are attributable to the inherent defects and vulnerability of GB1589-2004[Note 7], which are inevitable for GB1589-2004[Note 7] as the first generation of national standard for China's trailers.

Note 7: "GB1589-2004" refers to The External dimensions, Axle Load and Quality Limit on Vehicles (道路車輛外廓尺寸、軸荷及質量限值): a mandatory national standard issued by the China government on April 1, 2004, with effect from October 1, 2004. This standard regulates the limits of dimensions, axle load and quality for motor vehicles, trailers and road trains, which is one of the most basic technical standards for vehicle products applicable to motor vehicles, trailers and road trains. This standard runs through the entire process of vehicle production, sales, use, and management. It is closely related to many industries such as automobile manufacturing, traffic management, road design, logistics and transportation, engineering machinery, and petroleum exploration and mining, involving department responsibilities such as industrial credit, public security, transportation, and quality inspection. It is also the basic technical basis for road overload management of road administration, traffic management and other departments, which strongly supports the supervision of vehicle announcement management, registration, road enforcement and other aspects, and ensures the smooth development of automotive products and the smooth operation of the transportation industry.

Note 8: For the definition of "Seven categories of semi-trailers", please refer to the description in "The global semi-trailer products mainly include the seven product categories" in the first part of the "Product Portfolio" chapter in the introduction of "Management Discussion and Analysis".

After the launch of GB1589-2016[Note 3] and GB7258-2017[Note 4], which are representative of the second-generation semi-trailers, the Group has organized in-depth research and development and completed upgrade of product modules for container chassis trailers (type ①), liquid tank trailers (type ⑥), center-axle carries (type ⑦).

The product modules of second-generation semi-trailer are based on:

A) compliant size and compliant load.

B) high speed driving with high horsepower tractor.

The vehicle is characterized by light weight, high configuration, long life, and less maintenance.

The Group are developing the second-generation of product modules for curtain-side trailers (type ③), van trailers (type ④), refrigerated trailers (type ⑤), and powder tank trucks (type ⑥). Besides for meeting the requirements of product upgrade in the China market, these modules can be sold directly in emerging markets. Not to mention that, our second-generation container chassis trailer (type ①) has become a "hot selling" in the Malaysian market.

Note 3: "GB1589-2016" refers to the External Dimensions, Axle Load and Quality Limit on Vehicles, Trailers and Trains (汽車、掛車及汽車列車外廓尺寸、軸荷及品質限值) ("GB1589-2016"): the national standard officially issued and implemented by the Chinese government on July 26, 2016 which regulates the limits of dimensions, axle load and quality for motor vehicles, trailers and road trains, aiming to eliminate semi-trailers that fail in terms of dimensions, axle load and technical requirements.

Note 4: "GB7258-2017" refers to the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) ("GB7258-2017"): the Chinese government issued its national standard the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) (GB7258-2017) (the "New GB7258") on September 29, 2017, effective from January 1, 2018. GB7258, as a safety standard for motor vehicle operation and vehicle manufacturing in China, is one of the basic laws of the automotive industry. This standard will replace the Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (GB7258-2012), and will greatly improve the standard of safety protection devices for trucks and semi-trailers.

2) *Improvement of "Light Tower" Plants*

The Group started construction of the "Light Tower" Plants in 2014, and currently had nine completed semi-trailer "Light Tower" Plants:

	Seven product categories						
Plants	**①Container chassis trailer**	**②Flatbed trailer and its derivatives**	**③Curtain-sider semi-trailer**	**④Van trailer**	**⑤ Refrigerated trailer**	**⑥Tank trailer**	**⑦Other special semi-trailers**
Dongguan City, Guangdong Province	●	●	●				
Jiangmen City, Guangdong Province						●	
Shenzhen City, Guangdong Province		●	●	●			●
Yangzhou City, Jiangsu Province	●	●	●			●	●
Zhenjiang City, Jiangsu Province				●	●		
Zhumadian City, Henan Province	●	●	●				
Luoyang City, Henan Province						●	
Qingdao City, Shandong Province					●		
Wuhu City, Anhui Province						●	

Characteristics of "Light Tower" Plants:

1) Use high precision blanking and forming equipment.

2) Use automated welding or robotic welding.

3) Adopt electrophoretic primer (KTL or e-coating) with high degree of automation and low VOCs emissions, as well as a powder spray topcoat system controlled by robots.

4) Adopt tact-system production.

5) Use digital warehouses.

The advantages of the "Light Tower" Plants are: good product quality, high material utilization, high production efficiency, and absolute environmental protection standards.

"Light Tower" Plants is a new production system. Its success depends not only on capital and hardware, but also on a new generation of engineers and industrial workers. Its success is also closely related to the upgrading of product modules.

The above-mentioned plants also need to be constantly improved. In addition, several companies in the Group also need to transfer to “Light Tower” Plants.

3) *Kick-off of “Sales and Marketing Transformation”*

With the transformation of the products from the first generation to the second generation, the curtain of marketing reform has opened as the COVID-19 epidemic sounded the first horn.

The Group believes that marketing reforms will revolve around “New Marketing, New Retail”.

“New Marketing” will focus on creating an online interactive sharing live broadcast platform offering 24-hour online customer service. Through a “Bullet screen”, we will be able to interact with consumers during the live broadcast, which realizes online one-to-many simultaneous product introduction and use experience sharing, generating accurate clues on customer needs.

Adhering to consumer-centric, “New Retail” provides consumers with an integrated and seamless shopping experience. Through opening up online and offline channels, building online platform and introducing digital tools, we help consumers complete the process of “product selection, price comparison, and ordering”, and guide consumers to select products online and try out products offline, saving transaction costs and time.

The Group is actively preparing a product series focusing on “second-generation semi-trailers”, which will be introduced to the market with new marketing and new retail methods.

4) *Promotion of the Organizational Restructing*

In order to effectively promote “the upgrading of product modules and the improvement of “Light Tower” Plants, the Group has reorganized the companies owning Light Tower Plants in the past few years, and has established two integrated companies that can produce all seven categories of semi-trailers, namely “Shenzhen Specialized Consortium (深專聯合體)” and “Tonghua Digital Semi-trailer Joint Enterprise (通華數字化半掛車聯合企業)”.

In order to meet the “Kick-off of Sales and Marketing Transformation ”, the Group disbanded the marketing organization based on traditional channel management in 2019, i.e. the Southeast Center Company and Midwest Center Company, and then established a new sales organization to test new marketing and new retail.

4. Semi-trailer Businesses in North America and Europe

1) Upgrade of the "Product Module"

In recent years, the Group has completed the product module upgrade of European liquid tank trailers, so that the tank module of liquid tank trailers produced by the Group's tank trailer plant in Bree, Belgium can be successfully produced at the Light Tower Plants in China, achieving high consistency in products, and then shipped to Europe for assembly.

Beginning in 2019, we have made the same attempt on body modules of refrigerated trailers and chassis modules of container chassis trailers in North America, which are currently advancing rapidly.

2) Improvement of "Light Tower" Plants

In 2016, the first "Light Tower" Plant of van trailers the Group invested in North America began production in Trenton, Georgia, USA. In the past few years, the Group has continued to make improvements to the van trailer plant in Monon, Indiana, USA, and the tank trailer plant in Bree, Belgium in a way of "Light Tower" Plants.

At the same time, the Group will set up a new assembly plant for refrigerated trailers in Sarnia, Ontario of Canada, build an automated production facility for refrigerated trailers in Monon, Indiana of the USA, and build automated production facilities for container chassis trailers in Emporia, Virginia, and South Gate, California, the USA, as planned. In addition, the Group will also set up container chassis trailer plants in Southampton of England, and Pijnacker of the Netherlands. Meanwhile, it will inject technical resources and funds to improve the curtain-sider semi-trailer manufacturing plants in Belfast, Northern Ireland, and Mansfield, England; and improve the same in Melbourne, Australia.

With the gradual improvement of the capacity of the "Light Tower" Plants in China, the Group plans to invest the overflow capacity and technology of refrigerated trailers and van trailers into Europe to enrich its product portfolio.

3) Kick-off of "Sales and Marketing Transformation"

In the past few years, by deepening the content of "Local Knowledge", the Group has established a localized brand in North America, namely Vanguard National Trailer; owned a 42-year-old brand "SDC" in England; a 75-year-old brand "LAG" in Belgium; and has been actively promoting "CIE", a semi-trailer brand with series of products that carries all the advantages of the Group's "upgraded product modules" and "improved Light Tower Plant" and can fully realize its production in North America and Europe. At the same time, the Group will take the opportunity to launch "New Marketing" and "New Retail" focusing on the CIE brand in North America, Europe, Australia and South Africa.

4) Promotion of the Organizational Restructing

After more than ten years of unremitting efforts, the business philosophy of "Global Operation, Local Knowledge" has been fully recognized by the Group's operating team based in the European and American markets. Everyone in the Group has been able to skillfully use the "4 Major Levers of Global Operation"[Note 9] to improve performance and avert the impact of fluctuations in market demand; as well as the "4 Levers of Local Knowledge"[Note 10] to effectively manage enterprises and avoid risks.

In order to serve the need of product module upgrades and initiate marketing reforms, the Group's headquarters will fully empower the Global Business Development Department (全球業務拓展部) and the Technical Director's Office (技術總監辦公室), bringing together global mid- and young-generation technology elites and marketing elites to train them into "Global Operation Strongmen" that can promote product upgrades, improve Light Tower Plants, drive marketing reform, and dare to against the wind.

Note 9: The term "4 Major Levers of Global Operation" was put forward by Mr. Li Guiping, an executive Director, Chief Executive Officer and President of the Group, in the speech at the 12th Global Trailer Seminar held in Los Angeles, USA on 9 May, 2018, specifically: 1) Cross-over Design, 2) Inter-continental Production, 3) Light Tower Plants, and 4) Global Supply Chain.

Note 10: The term "4 Major Levers of Local Knowledge" was put forward by Mr. Li Guiping, an executive Director, Chief Executive Officer and President of the Group, in the speech at the 12th Global Trailer Seminar held in Los Angeles, USA on May 9, 2018, specifically: 1) The operation is run by the local management; 2) The motivation is based on profit sharing mechanism; 3) Effective Authorization to the CEOs; and 4) Well-established Governance.

OTHER INFORMATION

I. Purchase, Sale or Redemption of Listed Securities

The Company or its subsidiaries did not purchase, sale or redeem its listed securities from the Listing Date and up to December 31, 2019.

II. Corporate Governance

Corporate Governance Practices

The Company has complied with the applicable code provisions under the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from the Listing Date and up to December 31, 2019.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Cheng Hok Kai Frederick, Mr. Feng Jinhua and Mr. Fan Zhaoping. Mr. Cheng Hok Kai Frederick is the chairman of the Audit Committee (the "**Audit Committee**").

The Directors of the Company are responsible for the preparation of the financial statements, which give a true and fair view of the condition of the Group. The Audit Committee of the Company has reviewed and discussed with the management the annual results and audited financial statements of the Group for the year ended December 31, 2019.

PricewaterhouseCoopers, the Group's auditor, is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and reports the opinion solely to the shareholders of the Company. PricewaterhouseCoopers gives an unqualified opinion on the consolidated financial statements of the Group as at 31 December 2019 and for the year then ended.

III. Securities Transactions by the Directors and Supervisors

The Company has adopted a set of code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") in connection with securities transactions by the Directors and Supervisors. Upon the specific enquiries made to all Directors and Supervisors of the Company, they confirmed that they have complied with the standards for securities transactions by the directors and supervisors as set out in the Model Code and the code of conduct since the listing.

IV. Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Disclosure of Information

This announcement will be published on the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.cimcvehiclesgroup.com. The annual report of the Company for the year ended December 31, 2019 will be despatched by the Company to its shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

By order of the Board
CIMC Vehicles (Group) Co., Ltd.
Li Guiping
Executive Director

Hong Kong, March 25, 2020

*As at the date of this announcement, the Board members comprise Mr. Mai Boliang**, Mr. Li Guiping*, Ms. Zeng Beihua**, Mr. Wang Yu**, Mr. Liu Dong**, Mr. Chen Bo**, Mr. Feng Jinhua***, Mr. Fan Zhaoping*** and Mr. Cheng Hok Kai Frederick***.*

* *Executive Director*
** *Non-executive Directors*
*** *Independent non-executive Directors*