CIMC | VEHICLES

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

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

Stock Code: 1839

2019
ANNUAL REPORT

CONTENTS

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

CORPORATE INFORMATION

COMPANY NAME

CIMC Vehicles (Group) Co., Ltd.

BOARD OF DIRECTORS

Executive Director

Mr. Li Guiping
(Chief Executive Officer and President)

Non-executive Directors

Mr. Mai Boliang *(Chairman)*
Mr. Liu Dong
Mr. Chen Bo
Ms. Zeng Beihua
Mr. Wang Yu

Independent non-executive Directors

Mr. Feng Jinhua
Mr. Fan Zhaoping
Mr. Cheng Hok Kai Frederick

AUDIT COMMITTEE

Mr. Cheng Hok Kai Frederick *(Chairman)*
Mr. Feng Jinhua
Mr. Fan Zhaoping

REMUNERATION COMMITTEE

Mr. Fan Zhaoping *(Chairman)*
Ms. Zeng Beihua
Mr. Feng Jinhua

NOMINATION COMMITTEE

Mr. Mai Boliang *(Chairman)*
Mr. Feng Jinhua
Mr. Fan Zhaoping

STRATEGY AND INVESTMENT COMMITTEE

Mr. Liu Dong *(Chairman)*
Mr. Wang Yu
Ms. Zeng Beihua
Mr. Fan Zhaoping

SUPERVISORY COMMITTEE

Mr. Liu Zhenhuan *(Chairman)*
Mr. Liu Hongqing
Mr. Li Xiaofu

JOINT COMPANY SECRETARIES

Ms. Li Zhimin
Ms. Ko Mei Ying

AUTHORIZED REPRESENTATIVES

Mr. Li Guiping
Ms. Ko Mei Ying

REGISTERED OFFICE AND HEADQUARTERS

No. 2 Gangwan Avenue
Shekou
Nanshan District, Shenzhen
Guangdong, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

ING Bank N.V., Hong Kong Branch
Level 8, Three Pacific Place
1 Queen's Road East
Hong Kong

CORPORATE INFORMATION *(Continued)*

Industrial and Commercial Bank of China, Shenzhen Shekou Sub-branch
173 Zhaoshang Road
Shekou
Nanshan District, Shenzhen
Guangdong, the PRC

Standard Chartered Bank, Hong Kong Branch
11/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

Everbright Bank, Shenzhen Haibin Sub-branch
Everbright Bank
Meishu Lanshan Jia Yuan
Wenxin 2nd Road
Nanshan District, Shenzhen
Guangdong, the PRC

Wells Fargo
21680 Gateway Center Dr Ste 200
Diamond Bar
CA 91765
United States

China Merchants Bank, Shenzhen Shekou Sub-branch
Merchants Building
Zhaoshang Road
Shekou
Nanshan District, Shenzhen
Guangdong, the PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISOR

Paul Hastings
21-22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

COMPLIANCE ADVISOR

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

INVESTOR RELATIONS CONTACT INFORMATION

No. 2 Gangwan Avenue
Shekou
Nanshan District, Shenzhen
Guangdong, the PRC
Email: ir_vehicles@cimc.com

LISTING PLACE OF H SHARES

The Main Board of the Stock Exchange

STOCK CODE

1839

COMPANY WEBSITE

www.cimcvehiclesgroup.com

JULY 11, 2019

LISTED ON THE HONG KONG STOCK EXCHANGE

Dear Distinguished Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December, 2019 for your review.

In 2019, broad global political and economic uncertainties and market instability, aggravated further by the Sino-US trade war and local social unrest. Against these challenges, the Group was successfully listed on the Stock Exchange on July 11, 2019. Meanwhile, the Group has sustained and enhanced our competitiveness by focusing on our strategic plan and our vision throughout 2019. Under the concerted efforts of over 13,500 employees, our solid performance reflects the resilience and strength of our business.

Performance Result

The revenue of the Group as of December 31, 2019 was RMB23,220 million. The net profit was RMB1,326 million, representing an increase of 7.7% as compared to 2018.

Revenue of RMB

23.2 billion

Net profit of RMB

1.3 billion

Increase of

7.7%

as compared to net profit of 2018

CHAIRMAN'S STATEMENT *(Continued)*

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 were sold in China

4,455

units of refrigerated van trailers were sold in China

In 2019, as the global economic growth gradually slowed down in the wake of escalating Sino-US trade war, the wave of globalization that had propelled the expansion of the Group's global semi-trailer business faced a strong headwind for the first time. On the other hand, 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 a growth period. With the increasing weight of service industries in gross domestic product ("**GDP**") of China, the fresh food logistics industry in China entered a long-term growth period. 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 development.

As of December 31, 2019, 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.

Dividend Distribution

The Group has always adhered to implementing a long-term, continuous and stable dividend distribution policy to share the development achievements with shareholders. Based on the operating results of 2019, the Board proposed the 2019 final dividend of RMB0.45 (tax inclusive) per share to return to shareholders.

Promoting Sustainable Development by Environment, Social and Governance System

The implementation of the Environment, Social and Governance system that meets the international standards is very important for enterprises to achieve long-term and sustainable development. During the year, the Group actively promoted the investment and improvement of its "Light Tower" plants. As of December 31, 2019, the Group's two "Light Tower" plants obtained the honour of National Green Plant and the Group's one plant obtained the honour of National Supply Chain Demonstration Enterprise in China.

Future Prospects

At the beginning of 2020, the outbreak of COVID-19 ("**Novel Coronavirus Pneumonia**") hit the global economy. Facing the increasing uncertainties in both domestic and international economic environment and the significant risks and challenges, we aim to position our niche in the forest, rather than the tallest tree.

The world we used to be familiar with is becoming very strange. In a new world where everything needs to be redefined, the natural selection is the result of the accumulation of many small variations, not several huge mutations. In a frequently changing macro environment, there are both opportunities and challenges in the semi-trailers and specialty vehicles truck bodies market that the Group operates in.

On the operation side, the Group will ride on opportunities to strengthen its solid position in environment-friendly urban dump trucks, and deepen our collaborations with tractor manufacturers to expand the scale of manufacturing and procurement, and add value to the tractor manufacturers. 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 reduce the total cost of ownership; to jointly carry out new marketing campaigns with tractor manufacturers to bring better purchasing experience to users. 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 of generational upgrade of 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, and will reduce the cost of localized manufacturing by virtue of "Light Tower" plants and global supply chain.

In the year of 2020, we will be even more courageous to explore and innovate, and take on the challenges, and get well-prepared for the future growth.

Finally, I would like to extend my utmost appreciation to our shareholder and all others for their continued confidence and support.

Mai Boliang
Chairman

Shenzhen, the PRC
March 25, 2020

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) 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 GDP, 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 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. Global semi-trailer business in 2019:

	Year ended December 31, 2019		
	Revenue	**Gross profit**	**Gross profit margin**
	RMB in millions	***RMB in millions***	***%***
China semi-trailer	**5,106.7**	**597.0**	**11.7**
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" PlantsNote 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.

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.*

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 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.

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

	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	**Gross profit**	**Gross profit margin**
	RMB in millions	***RMB in millions***	*%*
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.

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 the shareholders prior to the Listing on the 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 report, there was no plan approved by the Board for other future material investments or purchases of capital assets in the future as of the date of this report.

VI. Use of Proceeds from the Global Offering in 2019

Since the Listing Date, the H Shares of the Company have been listed and traded on the Stock Exchange. The Offer Price has been determined at HK$6.38 per Offer Share (exclusive of brokerage of 1.0%, transaction levy of the Securities and Futures Commission of Hong Kong of 0.0027% and Stock Exchange trading fee of 0.005%). 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 and net price per H Share is approximately HK$5.9. The nominal value of the H Shares is RMB1.00 per 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 in China	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 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 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 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 2019 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 2019 AGM. For 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 , please refer to the section headed "Directors' Report" in this report.

XIII. Significant Events Occurring after the Reporting Period

In January 2020, there was an global outbreak of Novel Coronavirus Pneumonia 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 report the Sino-US Phase One Trade Deal has not yet agreed on specific tariff adjustment arrangements. The outbreak of the Novel Coronavirus Pneumonia 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 Novel Coronavirus Pneumonia 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 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 fell 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.

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.

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 Novel Coronavirus Pneumonia epidemic, demand for fresh food delivery to home has ignited demand for refrigerated van trailers.

After the Novel Coronavirus Pneumonia 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.

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.

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 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.

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 Development*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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						
	①	②	③	④	⑤	⑥	⑦
Plants	Container chassis trailer	Flatbed trailer and its derivatives	Curtain-sider semi-trailer	Van trailer	Refrigerated trailer	Tank trailer	Other 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-hours 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 Development

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 Development*

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.

CORPORATE GOVERNANCE REPORT

The Company understands that Shareholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to enhancing Shareholders' value and interests. The principles applied to the Company's corporate governance practices emphasize an effective Board, prudent risk management and internal control system, corporate transparency and quality disclosure.

The Company has been constantly striving to review and improve the quality of corporate governance practices with reference to local and international standards. Since the Listing Date, the Company has adopted the Corporate Governance Code as its principal guideline on corporate governance practices.

The following policies and guidelines in connection with corporate governance are periodically reviewed and constitute major components in the Company's corporate governance framework:

- Policy on the Appointment of Directors;
- Director and Senior Management Remuneration Policy;
- Roles and Responsibilities of the Board and Senior Management;
- Procedures for Directors to seek Independent Professional Advice;
- Division of Responsibilities between the Chairman and the Chief Executive Officer of the Company;
- Procedures for Disclosure of Interests in Shares of the Company and its Associated Corporations;
- Code for Securities Transactions by Relevant Persons;
- Procedures for Shareholders to nominate Director Candidates;
- Shareholders' Communication Policy;
- Inside Information Management Requirements;
- Connected Transaction Management System;
- Risk Management and Internal Control System;
- Board Diversity Policy;
- Board Nomination Policy; and
- Dividend Policy.

The Company has complied with all the code provisions of the Corporate Governance Code since the Listing Date and up to the year ended December 31, 2019.

BOARD OF DIRECTORS

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code, including (1) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (2) to review and monitor the training and continuous professional development of Directors and senior management of the Company; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and (5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Duties and assignments

The Board represents the interests of all Shareholders and is accountable to the general meeting. The Board is principally responsible for convening general meetings and making proposals or proposing resolutions at the general meetings, proposing relevant matters at the general meetings for approval and reporting its work to the shareholder meetings; implementing the resolutions passed at general meetings; determining the Company's business operation plans and investment schemes; formulating the Company's annual financial budget and final accounts; formulating the Company's profit distribution plans and plans for recovery of losses; formulating proposals for increase or reduction of the Company's registered capital and for the issuance of corporate bonds; drafting plans for the Company's acquisition and disposal of material assets, repurchase of Shares, merger, division, dissolution and transformation of the Company, which are subject to the approval at the general meetings; determining the establishment of the Company's internal management structure, the details of which have been included in the Articles of Association. For the purpose of supervising the specific affairs of the Company, the Company has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Investment Committee. The Board has delegated several duties to each Board committee, which are set out in their respective terms of reference. Moreover, the management of the Company provides adequate consultancies for the Board and the Board committees when appropriate to facilitate the Directors in making informed decisions.

During the Reporting Period and up to the date of this report, the Board performed, among others, the following functions:

- reviewed the performance and formulated business strategies of the Group;
- reviewed and approved financial statements of the Group for the two years ended December 31, 2018 and 2019, and for the six months ended June 30, 2019, respectively;
- reviewed the effectiveness of risk management and internal control systems adopted by the Group;

- reviewed and determined the remuneration packages of all Directors;
- reviewed the structure, size and composition of the Board;
- approved the continuing connected transactions set out in the "Directors' Report" of this report;
- Reviewed the disclosure set out in the Corporate Governance Report in this report.

The notice of a regular Board meeting shall be given to all Directors at least 14 days in advance. Directors are invited to propose items which they wish to be included in the agenda for approval and the agenda and relevant meeting materials are provided at least three days prior to Board or Board Committee meeting.

Directors are properly briefed on agenda items and provided with opportunities to raise questions or comment at meetings. Where necessary, professional advisers will be invited to attend the meeting to give expert advice and explanations to the Directors on agenda items.

Where a Director is unable to attend a meeting, he/she is advised of the matters to be discussed and can appoint another Director in writing to attend the meeting on his/her behalf.

The Chairman of the Company met once with independent non-executive Directors on August 26, 2019 without the presence of other Directors.

The Chairman and the senior management will ensure all Directors (including the non-executive Directors and independent non-executive Directors) have access to adequate, complete and timely information so that they can make informed decisions and discharge their duties and responsibilities as Directors. Directors may request further briefing or explanation on any aspect of the Group's operations or business and seek advice from the Company Secretary or her assistant on company secretarial and regulatory matters, including board procedures and corporate governance practices. Where appropriate, they can also seek independent professional advice at the Company's expenses.

The Board secretary is responsible for taking minutes of Board and Board Committee meetings. The Directors shall sign on the Board resolutions and be liable for the resolutions passed at the Board meetings. Draft minutes and written resolutions will be circulated to all Directors members or Board Committee members for review and comment for a reasonable period. Final version of the minutes and written resolutions will be provided to all Directors or Board Committee members for record within a reasonable time and the signed copies are kept in the Company's minutes book maintained by the Board secretary for Directors' inspection.

With a view to facilitating Directors' attendance at Board meetings and committee meetings as well as corporate events, the Board secretary will seek advice from the Board and prepare an annual plan for the Board.

Chairman and Chief Executive Officer

The management of the Board and the day-to-day management of the Group's business are clearly divided and separately undertaken by the Chairman and the Chief Executive Officer to ensure a balance of power and authority.

The Board is responsible for making decisions on specific issues, while the management is delegated the power to execute and manage the Company's day-to-day affairs. The Company has the position of Chief Executive Officer. During this year, the positions of Chairman and Chief Executive Officer of the Company are taken up by Mr. Mai Boliang and Mr. Li Guiping respectively, with clear division of responsibility between them. The Chairman takes charge of the affairs of the Board and reviews the implementation of the Board's resolutions whereas the Chief Executive Officer, under the leadership of the Board, is mainly responsible for the Company's management operations and business coordination, and thus the Company has complied with the provisions of code provision A.2.1 of the Corporate Governance Code. Apart from the information disclosed in the section headed "Profiles of Directors, Supervisors and Senior Management" of this report, there is no financial, business, family and other material related relationship among Directors and between Chairman and the Chief Executive Officer.

Board composition

The Board consists of nine members of which there are three independent non-executive Directors which constitutes more than one-third of the Board, bringing in a sufficient independent voice. The other members are one executive Director and five non-executive Directors.

The list of the Board members, by categories of Directors, including the Chairman, executive Directors, non-executive Directors and independent non-executive Directors, is stated in all corporate communications that require disclosure of director names.

The list of Directors and their roles and functions have been published on the websites of the Stock Exchange and the Company.

The Board members come from a wide range of professional and educational backgrounds, including legal, accounting, investment, economics, management and industry expertise. That brings a diverse and balance set of skills and experience to the Board, contributing to the effective direction of the Group. Latest biographical details of all Directors are given in the section headed "Profiles of Directors, Supervisors and Senior Management" on pages 63 to 75 and on the Company's website.

The Company has received from each independent non-executive Director a written confirmation of his independence pursuant to the requirement of the Listing Rules. With reference to such confirmations, the Company, to its best knowledge, considers all the independent non-executive Directors fulfill the guidelines on independence as set out in Rule 3.13 of the Listing Rules and all to be independent.

No relationship (neither financial, business nor family) exists among members of the Board as at the date of this report.

Responsibilities of Directors

The Directors shall take decisions objectively in the best interests of the Group as a whole. They meet regularly to keep abreast of its conduct, business activities, operational performance and latest development. Details of Director's attendance at Board and Board Committee meetings and general meetings held in Relevant Period are set out in the paragraph headed "Director's attendance" in this section. As the Company was listed in July 2019, the Board did not have any issues subject to discussion during the Relevant Period of less than five months. The Company will fully comply with the code provision A.1.1 of the Corporate Governance Code by holding at least four Board meetings per year on an approximately quarterly basis.

The Independent non-executive Directors are particularly responsible for bringing an independent judgement on the Board. They take the lead where potential conflicts of interests arise and monitor the Company's performance in achieving agreed corporate goals and objectives and the relevant reporting.

In relation to each connected transaction or other transaction of the Company that requires independent Shareholders' approval, an independent board committee comprising independent non-executive Directors who have no interests therein will be formed to give independent opinion on the transaction.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company, upon their appointment, and in a timely manner for any changes in their positions held in other listed companies or organisations and other significant commitments (if any). Information of Directors' position in other companies which is of significant nature is set out on pages 63 to 69 and on the Company's website.

Securities Transactions by Directors and Supervisors

The Company has adopted a set of code of conduct regarding securities transactions by Directors and Supervisors that is on standards no less exacting than those required by the Model Code. Having made enquiries with all Directors and Supervisors, all Directors and Supervisors of the Company confirmed that they had complied with the required standards in respect of securities transactions by Directors and Supervisors as set out in the Model Code and its code of conduct since the Listing Date of the Company.

Director's attendance

Since the Listing Date and up to year ended December 31, 2019, the attendance at the meetings of the Board and the Board committees and the general meetings is set out below:

	No. of meetings attended /held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy and Investment Committee	General Meetings
Executive Director						
Mr. Li Guiping *(Chief Executive Officer and President)*	3/3	–	–	–	–	–
Non-executive Directors						
Mr. Mai Boliang *(Chairman)*	3/3	–	–	1/1	–	–
Mr. Liu Dong	3/3	–	–	–	2/2	–
Mr. Chen Bo	3/3	–	–	–	–	–
Ms. Zeng Beihua	3/3	–	2/2	–	2/2	–
Mr. Wang Yu	3/3	–	–	–	2/2	–
Independent Non-executive Directors						
Mr. Feng Jinhua (Appointed as an independent non-executive Director on June 26, 2019)	3/3	2/2	2/2	1/1	–	–
Mr. Fan Zhaoping (Appointed as an independent non-executive Director on June 26, 2019)	3/3	2/2	2/2	1/1	2/2	–
Mr. Cheng Hok Kai Frederick (Appointed as an independent non-executive Director on June 26, 2019)	3/3	2/2	–	–	–	–

Directors' time commitments

In addition to attending formal meetings to understand the Company's business, the Directors also attach their attention to the Company's affairs by listening to reports from the Company's management, reviewing operating information regularly provided by the Company, and conducting on-site inspections of the Company's operations, so as to gain a comprehensive understanding of the Company's business and effectively perform their duties as Directors. The Board, upon serious review, is of the view that the Directors of the Company have devoted sufficient time and effort to discharging their duties as Directors during the year.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company is responsible for arranging and funding suitable training for the Directors.

A newly-appointed Director will be briefed by the Company's legal advisor on Directors' responsibilities under the relevant laws and regulatory requirements (including but not limited to the Companies Ordinances, the Listing Rules and the SFO). He/she will also be provided a memorandum on Directors' duties and obligations which assists him/her in understanding his/her responsibilities as Directors. The Chairman or the Chief Executive Officer will give a general introduction on the Group and the Company will provide relevant information and organise various activities, for example, plant visits, to ensure they properly understand the business and governance policies of the Company.

To update Directors' understanding of the Group's operations and business and refresh their knowledge and skills as Directors, the Company provides with the Board materials on relevant regulation updates and on significant development or on new opportunities of the Group.

Since the Listing Date and up to the year ended December 31, 2019, the Company organised one seminar for the Directors relating to the key requirements of the Listing Rules for corporate governance. Nine Directors, namely Mr. Li Guiping, Mr. Mai Boliang, Mr. Liu Dong, Mr. Chen Bo, Ms. Zeng Beihua, Mr. Wang Yu, Mr. Feng Jinhua, Mr. Fan Zhaoping and Mr. Cheng Hok Kai Frederick attended the seminar in person. Due to their own professional capacities, individual Directors also participated in other training relating to the roles, functions and duties as a director of a listed company or further enhancement of their professional development. All the Directors had provided their training records for the year ended December 31, 2019 to the Company.

APPOINTMENT AND RESIGNATION OF DIRECTORS

In accordance with the Articles of Association, Directors (including non-executive Directors and independent non-executive Directors) shall be elected at the general meeting for a term of three years from the approval date of relevant resolutions at the general meeting until the expiry of the term of such session of the Board, and are eligible for re-election upon expiry of their term of office.

The Chairman shall be a Director of the Company and shall be elected and removed by a majority of all the Directors, with a term of three years, and may be re-elected.

Each of the incumbent Directors has entered into a service contract with the Company for a term of three years with effect from the appointment date and subject to termination in accordance with their respective contract terms.

Save as stated above, none of Directors or Supervisors has entered into or proposed to enter into any other service contracts with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

NOMINATION OF DIRECTORS

In accordance with the Articles of Association, Director candidates shall be nominated or recommended by the existing Board or in the form of proposal by the Shareholders separately or jointly holding over 3% of the voting Shares of the Company. The Board shall examine the qualifications and requirements of the Director candidates, and a written resolution should be proposed at the general meeting for consideration after such Director candidates are approved by the Board.

The Nomination Committee identifies and recommends suitable candidates to the Board, taken into account various criteria such as their education background, qualifications and experience to determine whether their attributes is relevant to the business of the Group, and can complement to the capabilities of the incumbent Directors, having due regard for the benefits of diversity on the Board, and their independence (in the case of candidates as independent non-executive Directors). The Nomination Committee also makes recommendations to the Board on matters relating to the re-appointment of and succession planning of Directors.

BOARD DIVERSITY POLICY

According to the requirements of the Listing Rules, the Company has formulated and adopted a "Board Diversity Policy" which sets out the approach to achieve diversity of the Board. The Company considers that having a diverse Board is of vital importance to the Company's business development. A summary of the Board Diversity Policy is set out below:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition and selecting the Board members, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional qualifications and work experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board will consider from time to time whether it should set any measurable objectives to facilitate the implementation of the policy. The Nomination Committee has reviewed the Board composition of the Company with reference to the abovementioned policy in accordance with the requirements of the Listing Rules, and considers that the Board members of the Company in term of age, educational background, industry experience, region, terms of services, etc. comply with the requirements of the Listing Rules for the board diversity.

SUPERVISORY COMMITTEE

The Supervisory Committee is the supervisory body of the Company, and shall be accountable to the general meeting. Supervisors shall act independently in accordance with the laws to protect the legitimate interests of Shareholders and the Company. The Supervisory Committee is composed of three Supervisors, with Mr. Liu Zhenhuan serving as the chairman of the committee. The Supervisory Committee shall hold at least one meeting every six months. Notice of the meeting shall be served in writing to all Supervisors ten days before such meeting is held. Supervisors can propose an interim meeting of the Supervisory Committee. Notice of the interim meeting of the Supervisory Committee shall be given in writing to all Supervisors three days before the date of the meeting. The terms of office of a Supervisor shall be three years, and are eligible for re-election upon term expiration.

The Supervisory Committee of the Company has discharged its duties earnestly in accordance with the provisions of the Company Law of the People's Republic of China and the Articles of Association, including examining the Company's finance, and pursuant to relevant laws and regulations, supervising the procedures for convening a general meeting and Board meeting and making relevant decisions, implementation of the resolutions passed at the general meetings by the Board and the operation of decisions made by the Company, check the financial information such as financial report, business report and profit distribution plan that the board intend to propose at the general meetings.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company's policy on remuneration is to maintain fair and competitive packages under a formal and transparent procedure to attract, retain and motivate talents.

The key components of the remuneration package of executive Directors and senior management of the Company include basic salary and management bonus. The remuneration packages of non-executive Directors (including independent non-executive Directors) includes a fixed director's fee.

The level of remuneration is mainly based on the experience, scope of duties, work performance and time committed to the Company, prevailing market rates, salaries paid by comparable companies and remuneration packages elsewhere in the Company and its subsidiaries.

The Remuneration Committee has adopted the model to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and established a formal and transparent procedure for fixing remuneration packages of all Directors and senior management of the Company. In accordance with the remuneration policy of the Company, the committee will assess the remuneration amount payable to Directors, Supervisors and relevant employees, taking into account a variety of factors, including the salaries paid by comparable companies, and term of office, commitment, responsibilities and performance of Directors, Supervisors and senior management (as the case may be). The committee will review such policy periodically, and consult the Chairman and/or Chief Executive Officer regarding proposed remuneration of other executive Directors and senior management and make recommendations to the Board of the remuneration of non-executive Directors in formal or informal meetings. No person shall be involved in deciding his own remuneration.

Details of the Remuneration Committee are set out in the section headed "Delegation by the Board" in this report.

Details of Directors' remuneration for the year ended December 31, 2019 are listed out in note 10 to the consolidated financial statements.

The remuneration payable to the members of senior management of the Company fell within the following bands for the year 2019:

	Number of individuals
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	2
RMB2,500,001 to RMB3,000,000	1
RMB4,500,001 to RMB5,000,000	1
RMB7,500,001 to RMB8,000,000	1

DELEGATION BY THE BOARD

Management functions

The Board gives clear directions as to the power delegated to the management for the administrative and management functions of the Company.

Division of functions reserved to the Board and those delegated to management are set out clearly in writing and will be reviewed by the Board on a periodic basis and appropriate adjustments may, from time to time, be made to ensure the effective discharge of the Board's decision.

The senior management, led by the President, is responsible for executing strategies and plans drawn up by the Board and reporting to the Board periodically to ensure proper execution. Functions and responsibilities of the Board are set out in the section headed "Board of Directors" in this report.

Board Committees

To streamline its duties and uphold good corporate governance, the Board allocates certain of its executive and monitoring functions to four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Investment Committee.

Each of the committees has adopted clear written terms of reference, which sets out details of its authorities and duties and obligations and is on terms no less exacting than the provisions of the Corporate Governance Code, to report its findings, decisions and recommendations to the Board. Full terms of reference of each of the committees have been published on the websites of the Stock Exchange and the Company.

In common with the Board, senior management will give adequate resources to the committees. The committees can also seek independent professional advice where necessary at the Company's expense and is supported by the Company Secretary.

Audit Committee

The Audit Committee is chaired by Mr. Cheng Hok Kai Frederick, who possesses professional financial qualifications. The other members of the committee are Mr. Feng Jinhua and Mr. Fan Zhaoping. All the above three Directors are independent non-executive Directors and none of them is a former partner of the external auditor of the Group. The major responsibilities of the Audit Committee are:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to consider and approve the remuneration and terms of engagement of the external auditor, and addressing any matters on any resignation or dismissal of the external auditor;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of its audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor on the nature and scope of its audit and reporting obligations before the audit commences;

- to develop and implement policy on engaging the external auditor to supply non-audit services;

- to monitor the Company's internal audit systems and ensuring the implementation of such systems;

- to facilitate communications between the internal audit department and the external auditor;

- to review the Company's financial information and relevant disclosures; and

- to monitor the effectiveness of the Company's financial reporting system, risk management and internal control systems.

The Audit committee meets the external auditor and senior management of the Company regularly. During 2019, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended December 31, 2019;
- the effectiveness of the financial reporting procedures and risk management and internal control systems of the Group for the year ended December 31, 2019, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended December 31, 2018, and the interim results for the six months ended June 30, 2019 with the external auditor;
- the continuing connected transactions of the Group during 2019 which were subject to review by the independent non-executive Directors under the Listing Rules;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- the nature and scope of audit and reporting obligations of the external auditor;
- the policy for provision of non-audit services by the external auditor;
- the external auditor's management letters and the management's response thereto; and
- the effectiveness of risk management and internal control systems of the Group for 2019.

The statement made by PricewaterhouseCoopers, the Company's external auditor, on its reporting responsibilities for financial statements is set out in the "Independent Auditor's Report" in this annual report.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Fan Zhaoping, an independent non-executive Director. Its other members are Ms. Zeng Beihua, a non-executive Director, and Mr. Feng Jinhua, an independent non-executive Director. The major responsibilities of the Remuneration Committee are:

- to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- to review and approve the remuneration proposals of senior management with reference to the Board's corporate goals and objectives;

- to make recommendations to the Board on the remuneration packages of executive Directors and senior management or to determine, with delegated responsibility, the remuneration packages of executive Directors and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);

- to make recommendations to the Board on the remuneration of non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- to review and approve the compensation payable to executive Directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

- to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair; and

- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

In 2019, the Remuneration Committee had, amongst others, having consulted the Chairman, considered, reviewed and made recommendations to the Board on the remuneration packages of the Directors appointed, and re-appointed during 2019 and the other Directors (except the members of the Remuneration Committee).

Nomination Committee

The Nomination Committee is chaired by Mr. Mai Boliang, the Chairman of the Board and a non-executive Director. Its other members are Mr. Feng Jinhua and Mr. Fan Zhaoping, both being independent non-executive Directors. The major responsibilities of the Nomination Committee are:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's Board Diversity Policy;
- to identify individuals suitably qualified to become board members and make recommendations to the Board on the selection of individuals nominated for directorships in accordance with the nomination policy of the Company;
- to assess the independence of independent non-executive Directors; and
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairman and the Chief Executive Officer).

In 2019, the Nomination Committee had, among others:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and
- assessed the independence of independent non-executive Directors.

Strategy and Investment Committee

The Strategy and Investment Committee is chaired by Mr. Liu Dong, a non-executive Director. Its other members are Mr. Wang Yu and Ms. Zeng Beihua, both being non-executive Directors, and Mr. Fan Zhaoping, an independent non-executive Director. The major responsibilities of the Strategy and Investment Committee are:

- to study and make recommendations on the Company's long-term strategic development plan;
- to study and make recommendations on the major investment programme that is subject to the approval by the Board;
- to study and make recommendations on the major capital operations and asset management projects that is subject to the approval by the Board;
- to review the Company's annual investment proposal;

- to study and make recommendations on the major investment projects that is subject to the approval by the Board; and

- other matters authorized by the Board.

In 2019, the Strategy and Investment Committee had, among others,

- reviewed the Company's annual investment proposal; and

- studied and made recommendations on the major investment projects that is subject to the approval by the Board.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Li Zhimin, who is also the vice president and the Secretary to the board of the Company, and Ms. Ko Mei Ying. Ms. Li Zhimin is an employee of the Company, who is responsible for the reporting to the Chairman and/or the President of the Company on corporate governance matters, and ensures that the Board procedures are followed, facilitating communications among Directors as well as with Shareholders and management of the Company. In addition, Ms. Ko Mei Ying, a manager of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been engaged by the Company as its joint company secretary to act jointly with Ms. Li Zhimin. The primary contact person with Ms.Ko Mei Ying at the Company is Ms. Li Zhimin. Both Ms. Li Zhimin and Ms. Ko Mei Ying have informed the Company that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2019. Their trainings satisfied the requirements under Rule 3.29 of the Listing Rules.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board is collectively responsible for ensuring a balanced, clear and understandable assessment of the Group's annual and interim reports and other financial disclosures and reports under statutory requirements.

In order to enable the Board to make an informed assessment of the financial and other information put before its approval, executive Directors are provided with financial and other operational information and analytical review reports of the Group on a monthly basis. Management would also meet with Directors regularly to present the quarterly operating reports and discuss any variance between the budget and the actual results for monitoring purpose. Moreover, all the Directors were provided with monthly update from the management, to enable them to assess the Company's operational performance and financial position in a timely manner.

The finance department of the Company, headed by the chief financial officer of the Company, is specifically responsible for the accounting and financial reporting functions of the Group and for coordinating and supervising the relevant departments of all the operating subsidiaries of the Company. A majority of the staff of such departments possess academic qualifications and extensive working experience in accounting and financial reporting. The Group provides continuous training seminars, on-the-job training and offers allowance for external training programmes by professional bodies to motivate the staff to enhance and refresh their knowledge on an ongoing basis.

The annual and interim results of the Group are announced in a timely manner within three months and two months respectively after the end of the respective financial periods. The integrity of the financial statements is monitored by the Audit Committee. A statement of Directors' responsibility for financial statements is set out in the Directors' Report on page 76. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 113.

Risk management and Internal control

The Company has established an internal audit and compliance department, which is accountable to the Board and the Audit Committee of the Company and undertakes the functions such as compliance audit, special audit, risk management, internal control and project risk assessment of the Group.

The Board is responsible to ensure a sound and effective risk management and internal control systems of the Group and would review the effectiveness of such systems from time to time, so as to safeguard investments of Shareholders and assets of the Group. The Supervisory Committee supervises the establishment and implementation of internal control by the Board, and the management take charges of organizing the day-to-day operations in respect of the Group's risk management and internal control. However, the Group's risk management and internal control systems are created to manage but not to eliminate the risk of failure to achieve business objectives, therefore, it can only provide reasonable but not absolute assurance against the risks of material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, which oversees the risk management and internal control systems in the design, implementation and monitoring. The Internal Audit and Compliance Department and the management of the Company regularly review the effectiveness of risk management and internal control, and report to the Board after consideration by the Audit Committee.

The procedures used by the Company to identify, evaluate and manage major risks include: identifying, analyzing, and responding to external market businesses, environmental safety, policy changes, etc; identifying, analyzing, and responding to internal financial risks, fraud risks, operational risks, etc. The Company has attached great importance to risk control, has integrated risk management, internal control and process management, and has established a sound and comprehensive risk management and internal control system. The management and the Internal Audit and Compliance Department have jointly made assessment on the possibility of risks, provided dealing plan and monitored the risk management procedures, and report all results and efficiency of the system to the Audit Committee and the Board at least once annually.

During the Reporting Period, the Internal Audit and Compliance Department continued to strengthen system construction and development of risk control capability, and improve the risk management reporting system, with concentrating on management, warning and accountability of major risks. In addition, it deepened the effective operation of the internal control systems, and confirmed the effectiveness of these systems with the Audit Committee and the Board for the year ended December 31, 2019.

During the Reporting Period, the Company did not identify major monitoring deficiencies and important concerns. In the future, the Company will regularly review to ensure the continuous effectiveness of risk management and internal monitoring system.

The Company has strict rules on the treatment and release of inside information in accordance with relevant requirements of the Listing Rules and the SFO and prohibits any unauthorized use or release of confidential or inside information. The Directors, Supervisors and senior management of the Company have adopted all reasonable measures to ensure proper precautionary measures are in place to prevent the Company from violating relevant disclosure requirements.

Auditor and its remuneration

The Company engaged PricewaterhouseCoopers as its auditor for the year 2019 until the conclusion of the 2019 AGM.

For the year ended December 31, 2019, the professional services provided by PricewaterhouseCoopers engaged by the Group with remuneration are as follows:

Services provided by the auditor	**Amount** *(RMB: thousand)*
– Audit services	5,606
– Non-audit service	35
Total	5,641

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Board believes that effective communication of full and clear information of the Company is the key to enhance corporate governance standards and Shareholders' confidence.

The Company holds conferences with analysts and the press to announce its annual results. In order to facilitate communication between the Company, Shareholders and the investment community, the Directors and designated employees will maintain on-going dialogue with investors and analysts through roadshows and marketing activities for investors.

The Company will keep the Shareholders and the investment community informed of its latest development via various publications such as announcements, circulars, annual and interim reports and press releases, which are available on the Company's website in both English and Chinese.

An annual general meeting provides a constructive forum to maintain regular and mutual communication with Shareholders. The Company will arrange the Chairman of the Board and the respective chairman or member(s) of each of the Board committees (including the Independent Board Committee, where applicable), or if failing so due to unexpected and/or uncontrollable reasons, his/their duly appointed delegate(s), to attend the general meetings to exchange views with Shareholders and answer their questions. All Directors are encouraged to attend general meetings and develop a balance understanding of the view of Shareholders.

The external auditor will also be invited to attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Separate resolutions are proposed on each substantially separate issue, including the election or re-election of each Director nominated.

To ensure the votes cast are properly counted and recorded, it is the practice of the Company to appoint representatives of its share registrar in Hong Kong as scrutineer of the voting procedures in general meetings.

Shareholders' rights

Any Shareholder is encouraged and entitled to attend all general meetings, provided that their shares have been recorded in the register of members of the Company. When the Company convenes a Shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting to notify all of our Shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting. A Shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning the attendance at such meeting to the Company 20 days (exclusive of the date of meeting) before the date of the meeting.

At the general meeting, all resolutions will be voted by way of poll in accordance with the Listing Rules and the Articles of Association. The chairman of the general meeting will explain the detailed procedures for voting by way of poll at the beginning of the meeting and answer the Shareholders' questions during the meeting.

The Board, the Supervisory Committee and Shareholders severally or jointly holding more than 3% of the Company's Shares, shall be entitled to put forward proposals to the Company. In addition, Shareholders may convene an extraordinary general meeting in accordance with Article 66 of the Articles of Association. According to the Articles of Association of the Company, any Shareholder who holds, at the date of deposit of the requisition, not less than 10% of the paid-up capital of the Company which carries the right of voting at the general meetings may, by submitting a written request to the Board, require an extraordinary general meeting. The Board shall, pursuant to laws, administrative regulations and the provisions of the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receipt of the request. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant Shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, Shareholder(s) severally or jointly holding 10% or above Shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant Shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. The Shareholder(s) severally or jointly holding 10% or above Shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

Subject to the Article of Association and the Company Law of the People's Republic of China, the Company may at general meeting by ordinary resolution elect any person to be a Director of the Company either to fill a casual vacancy on the Board, or as an addition to the existing Board. A Shareholder may propose a person other than a Director of the Company for election as a Director at a general meeting. The "Procedures for Shareholders to propose a person for election as a Director" has been published on the Company's website.

Shareholders should direct their questions about their shareholdings to the Company's share registrar in Hong Kong.

Shareholders may make enquiries with the Board at the general meetings. Alternatively, Shareholders may at any time send their enquiries and concerns to the Board by addressing to the Company Secretary whose contact information are set out in "Investor relations contacts" hereafter in this section.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Dividend policy

The Board of the Company has approved and updated the dividend policy on 26 August 2019. According to the dividend policy, dividends to be distributed by the Company each year shall be between 40% and 60% of the net profit attributable to owners of the Company for the previous fiscal year, subject to the relevant laws and regulations of the PRC and Hong Kong and the Articles of Association. Pursuant to applicable laws, the declaration and payment of any dividends would require the approval of the Board at its discretion, and depend on our actual and expected results of operations, cash flows and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board considers appropriate.

We may declare and pay dividends in cash or by other ways that we consider appropriate. Any dividends for every fiscal year will be subject to Shareholders' approval. Any dividends to be distributed by us will be decided by the Board at its discretion. In addition, our dividend policy will also be subject to our Articles of Association, the Company Law of the People's Republic of China, and any other applicable PRC laws and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations: (i) recovery of accumulated losses, if any; (ii) allocation to the statutory common reserve fund of an amount of not less than 10% of our profit after tax, as determined under the Company Law of the People's Republic of China; and (iii) allocation, if any, to a discretionary common reserve fund of an amount approved by the Shareholders at a general meeting.

The minimum allocation to the statutory common reserve fund is 10% of our profit after tax, as determined under the Company Law of the People's Republic of China. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this statutory common reserve fund will be required. In accordance with our Articles of Association, after completion of the global offering, dividends may be paid only out of distributable profits as determined under PRC Generally Accepted Accounting Principles or IFRS, whichever is lower.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

General meetings held in 2019

The Company did not convene any general meetings since the Listing Date.

INVESTOR RELATIONS CONTACTS

The Company values feedbacks from Shareholders, the investors and the public. Enquiries and proposals are welcome and can be put to the Company via the following means:

By phone: 86-755-26691130
By email: ir_vehicles@cimc.com

The latest investor relations information is available at the Company's website at http://www.cimcvehiclesgroup.com.

ARTICLES OF ASSOCIATION

Since the Listing Date and up to December 31, 2019, no amendments were made to the Company's Articles of Association. The latest consolidated version of the Articles of Association has been published on the websites of the Stock Exchange and the Company.

As at March 25, 2020, the Board proposed to make amendments to certain provisions of the Articles of Association and rules of procedure for the general meeting, which is subject to the approval by the Shareholders by way of a special resolution at the Company's 2019 AGM held on June 22, 2020 and approval the Shareholders at the H Shareholders' class meeting and the domestic Shareholders' class meeting respectively. For details, please refer to the announcement of the Company dated March 25, 2020.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

As at the date of this report, the biographies of Directors, Supervisors and Senior Management of the Company are as follows:

DIRECTORS

Executive Directors

Mr. Li Guiping (李貴平), aged 55, is an executive Director, Chief Executive Officer and President of the Company.

Prior to joining the Group, Mr. Li held various positions in CIMC from 1987 to 2009, including a director of various operation and production departments from June 1987 to October 1989, an assistant manager of airport equipment department from October 1989 to August 1991, and a deputy manager and the deputy general manager of container operation department from February 1993 to April 2009.

Mr. Li joined the Group in April 2003 and has served in various management positions including directorship of our certain subsidiaries, associates and/or portfolio companies. He served as the deputy general manager of the Company from April 2003 to March 2010, the general manager from March 2010 to January 2018 and the Chief Executive Officer, the president and a Director since January 2018. In addition to his positions within the Group, Mr. Li also currently serves as a director of Longyuan Investment.

Mr. Li obtained a bachelor's degree in engineering with a major in industrial management engineering from the college of management of Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1986 and a master's degree in science from Southern Connecticut State University in the United States in May 1993. Mr. Li obtained the qualification of senior economist from the Department of Human Resources of Guangdong Province (廣東省人事廳) in January 2000. In November 2014, Mr. Li completed the Berkeley Institute on Higher Education Program for Executives from Chinese State Enterprises in the Center for Studies in Higher Education, University of California, Berkeley, the United States.

Non-executive Directors

Mr. Mai Boliang (麥伯良), aged 61, is the Chairman of the Board and a non-executive Director of the Company. Mr. Mai is also the chairman of Nomination Committee of the Company.

Prior to joining the Group, Mr. Mai has been serving in various positions and directorship in CIMC and its subsidiaries, associates and/or portfolio companies since 1982, including the president of CIMC since March 1994 and the chief executive officer and an executive director of CIMC since August 2015.

In August 1996, Mr. Mai joined the Company as a Director and currently serves as the Chairman of the Board and a non-executive Director of the Company.

Mr. Mai obtained a bachelor's degree in engineering from the department of mechanical engineering of South China University of Technology (華南理工大學) in the PRC in July 1982. He is currently the chairman of China Container Industry Association (中國集裝箱行業協會).

Ms. Zeng Beihua (曾北華), aged 65, is a non-executive Director of the Company. Ms. Zeng is also a member of the Company's Remuneration Committee and Strategy and Investment Committee.

Ms. Zeng joined the Company in March 2003 and served as the deputy general manager of the Company until March 2010. Prior to joining the Group, Ms. Zeng served consecutively as a director and a general manager of financial management department of CIMC from April 1989 to March 2001. She later joined CIMC Capital Ltd. (中集融資租賃有限公司) and served consecutively as the general manager and a director from January 2007 to August 2012. From March 2010 to August 2012, she was also the general manager and a director of CIMC Financial Institution. From 2010 to 2014, she was the general manager of capital management department of CIMC.

In May 2014, Ms. Zeng was appointed as the Director of the Company. Ms. Zeng currently holds directorship in CIMC's certain subsidiaries, associates and/or portfolio companies. In addition, she also currently serves as a director of Yuanshui Capital Investment (Shenzhen) Co., Ltd (原水資本投資（深圳）有限公司), a director of Shanghai Shengxin Investment Management Co., Ltd. (上海晟歆投資管理有限公司) and a director of China Jiangsu Vanguard Trailer Rental Co., Ltd.(江蘇掛車幫租賃有限公司).

Ms. Zeng obtained a diploma in industrial accounting from Wuhan University (武漢大學) in the PRC in July 1983 and a postgraduate diploma in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1997. She also obtained a diploma in management program from China Europe International Business School (中歐國際工商學院) in the PRC in November 2002. In February 1993, Ms. Zeng obtained the qualification of accountant awarded by China Merchants Shekou Industrial Zone (招商局蛇口工業區) and authorized by the Ministry of Transport of the PRC.

Mr. Wang Yu (王宇), aged 48, is a non-executive Director of the Company. Mr. Wang is also a member of the Company's Strategy and Investment Committee.

Mr. Wang joined the Group in November 2014 and has served as a non-executive Director of the Company since then. Prior to joining the Group, Mr. Wang worked for International Data Group (China) as the legal counsel from January 2001 to December 2002. Since 2003, Mr. Wang served as the general manager of legal department of CIMC. He is currently a director of certain subsidiaries, associates and/or portfolio companies of CIMC, including a director of CIMC-TianDa Holdings (Shenzhen) Company Limited (中集天達控股（深圳）有限公司), a non-executive director of CIMC Enric Holdings Limited (中集安瑞科控股有限公司, a company listed on the Stock Exchange (stock code: 03899)), a director and the general manager of Shenzhen Qianhai CIMC Qigu Investment Co., Ltd. (深圳前海中集麒谷投資有限公司), a director of Sinopacific Offshore & Engineering Co., Ltd. (南通中集太平洋海洋工程有限公司) and a director of Shenzhen Sky Capital Co., Ltd. (深圳天億投資有限公司).

Mr. Wang obtained a bachelor's degree in transportation management from Dalian Maritime University (大連海事大學, formerly known as Dalian Maritime College (大連海運學院)) in the PRC in July 1993 and a master's degree in law from Dalian Maritime University (大連海事大學) in the PRC in June 1996. Mr. Wang obtained lawyer's qualification certificate from the Ministry of Justice of the PRC in July 1996. Mr. Wang is currently an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會).

Mr. Liu Dong (劉東), aged 55, is a non-executive Director of the Company. Mr. Liu is also the chairman of the Company's Strategy and Investment Committee.

Prior to joining the Group, Mr. Liu served as the consultant, a member of Young Professional Scheme, the economist, the investment officer, the senior investment officer, the chief investment officer, and the manager of Beijing office of the Bureau of East Asian and Pacific, International Finance Corporation (國際金融公司) consecutively from September 1993 to September 2007. Mr. Liu served as the senior vice president of Government of Singapore Investment Corporation (新加坡政府投資有限公司) from September 2007 to October 2014 and as a director of YUNDA Holding Co., Ltd. (韻達控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002120)) from January 2017 to June 2017.

Mr. Liu has been serving as a non-executive Director since December 7, 2018. Mr. Liu also serves as a director of Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600315)) and Autohome Inc. (a company listed on the New York Stock Exchange (stock code: ATHM)), a director of Ping An Capital Co., Ltd. (平安資本有限責任公司), an executive director of Shanghai Jinyao Investment Management Co., Ltd. (上海金藥投資管理有限公司), a director of Fullerton Healthcare Corporation Limited, a director of Sino-Singapore Connectivity Private Equity Fund Management Co., Ltd. (中新互聯互通投資基金管理有限公司), a director of Shanghai Zhong Ping Guoyu Asset Management Co., Ltd. (上海中平國瑀資產管理有限公司) and a director of Shanghai Zhongwei Anjian Venture Capital Management Co., Ltd. (上海中衛安健創業投資管理有限公司). Mr. Liu has also been serving as the deputy general manager of Ping An Trust Co., Ltd. (平安信託有限責任公司) since November 2014.

Mr. Liu obtained a bachelor's degree in naval architecture and ocean engineering in July 1986 and a master's degree in ship structure mechanics in January 1989 from Shanghai Jiao Tong University (上海交通大學) in the PRC, and obtained a doctoral degree from the Wharton School of the University of Pennsylvania (賓夕法尼亞大學沃頓商學院) in the United States in August 1993.

Mr. Chen Bo (陳波), aged 56, is a non-executive Director of the Company.

Prior to joining the Group, Mr. Chen served as an assistant general manager of Shenzhen Chiwan Freight Co., Ltd. (深圳赤灣貨運有限公司) from June 1992 to April 1994, the general manager of Shenzhen Chiwan Oriental Logistics Co., Ltd. (深圳市赤灣東方物流有限公司) from September 2009 to August 2015 and an assistant general manager of China Nanshan Development (Group) Incorporation (中國南山開發（集團）股份有限公司) from April 2014 to April 2017.

Mr. Chen has been serving as a non-executive Director since December 7, 2018. In addition, Mr. Chen has been serving as the chairman of Shenzhen Chiwan Oriental Logistics Co., Ltd. since May 2015 and the deputy general manager of China Nanshan Development (Group) Incorporation since April 2017. Mr. Chen currently also serves as a director of Shenzhen New Nanshan Holding (Group) Co., Ltd. (深圳市新南山控股（集團）股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002314)), a director of Shenzhen Chiwan Oriental Supply Chain Management Co., Ltd. (深圳市赤灣東方供應鏈管理有限公司) and a director of Chongqing Chiwan Oriental Supply Chain Management Co., Ltd. (重慶市赤灣東方供應鏈管理有限公司).

Mr. Chen obtained a bachelor's degree in road transport management from Xi'an Highway Institute (西安公路學院) (currently known as Chang'an University (長安大學)) in the PRC in July 1984. Mr. Chen also has various professional affiliations, including the president of Shenzhen Container Trailer Association (深圳市集裝箱拖車運輸協會) from 2000 to 2006, the vice president of Guangdong Road Transport Association (廣東省道路運輸協會) since 2008, and the chief supervisor of Guangdong Inter-Provincial Transportation Service Association (廣東省城際運輸服務協會) since 2016.

Independent non-executive Directors

Mr. Feng Jinhua (豐金華), aged 64, is an independent non-executive Director of the Company. Mr. Feng is also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Feng has substantial working and management experience in the ocean transportation, shipping and logistics industry and well recognized qualifications in the transportation industry. Prior to joining the Group, Mr. Feng served consecutively as a deputy chief (副科長), a chief (科長), a deputy director (副處長) and a director (處長) of finance branch, the deputy chief accountant and the chief accountant of, Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸公司) from August 1980 to October 2001, the general manager of finance department of China Ocean Shipping (Group) Company (中國遠洋運輸（集團）總公司) from January 2006 to January 2012, the chief financial officer of COSCO SHIPPING Holdings Co.,Limited (中遠海運控股股份有限公司) (previously known as China COSCO Holdings Co., Ltd. (中國遠洋控股股份有限公司)) (a company listed on the Stock Exchange, stock code: 1919) from January 2012 to November 2013, an executive director of COSCO Pacific Co., Ltd. (中遠太平洋有限公司) from October 2010 to October 2015, the deputy managing director of COSCO Pacific Co., Ltd. (中遠太平洋有限公司) from October 2013 to October 2015 and the chief financial officer of COSCO (Hong Kong) Group Co., Ltd. (中遠（香港）集團有限公司) from September 2015 to June 2016. Mr. Feng was appointed as our non-executive Director on December 10, 2017 and resigned from such position on October 10, 2018, during the period of which Mr. Feng participated in the decision-making of the Company in his capacity as a member of the Board, but he was not involved in the daily management and operations of the Company and had no executive functions over the Company. He has been serving as an independent non-executive Director since June 26, 2019.

Mr. Feng graduated from Qingdao Ocean Shipping Mariners College (青島遠洋船員學院) in the PRC in July 1986 with a major in finance and accounting and obtained an EMBA degree from the Business School of the University of International Business and Economics (對外經濟貿易大學) in the PRC in December 2006. In September 2005, Mr. Feng obtained the qualification of senior accountant awarded by China Road and Bridge Corporation (中國路橋（集團）總公司). In April 2006, Mr. Feng was awarded the title of the excellent accountant in transportation industry by China Communications Accounting Society (中國交通會計學會), and was awarded the title of the outstanding information application promoter by National Information Evaluation Center (國家信息化測評中心) in February 2007.

Mr. Fan Zhaoping (范肇平), aged 65, is an independent non-executive Director of the Company. Mr. Fan is also the chairman of the Company's Remuneration Committee, a member of the Audit Committee, Nomination Committee and Strategy and Investment Committee.

Mr. Fan has substantial working and management experience in the road transportation and logistics industry. Prior to joining the Company, Mr. Fan served as an assistant manager of finance department, a manager, a supervisor, a director and the chairman of Shenzhen Chiwan Petroleum Supply Base Co., Ltd. (深圳赤灣石油基地股份有限公司) consecutively from 1988 to 2016, a manager of finance department, a manager of financial investment department, an assistant general manager and the deputy general manager of China Nanshan Development (Group) Incorporation (中國南山開發（集團）股份有限公司) consecutively from 1991 to 2014, the vice chairman and the chairman of the executive committee of Shenzhen Chiwan Sembawang Engineering Co. Ltd. (深圳赤灣勝寶旺海洋工程有限公司) from 2012 to 2018, and the external supervisor of Sinotrans Limited (中國外運股份有限公司), a company listed on the Stock Exchange (stock code: 598) and a leading integrated logistics service provider in the PRC, since June 2018. Mr. Fan was appointed as our non-executive Director on December 10, 2017 and resigned from such position on October 10, 2018, during the period of which Mr. Fan participated in the decision-making of the Company in his capacity as a member of the Board, but he was not involved in the daily management and operations of the Company and had no executive functions over the Company. He has been serving as our independent non-executive Director since June 26, 2019.

Mr. Fan obtained a bachelor's degree in accounting from Central University of Finance and Economics (中央財經大學) in the PRC in July 1982 and a master's degree in financial accounting from Research Institute of Financial Science of the Ministry of Finance of the PRC (財政部財政科學研究所) in September 1986. In December 1987, Mr. Fan obtained the qualification of assistant researcher from the MOF.

Mr. Cheng Hok Kai Frederick (鄭學啟), aged 56, is an independent non-executive Director of the Company. Mr. Cheng is also the chairman of the Company's Audit Committee.

Prior to joining the Company, Mr. Cheng served as the audit assistant and senior accountant of Price Waterhouse (currently known as PricewaterhouseCoopers) consecutively from November 1985 to August 1988, primarily responsible for audit assignments for various companies; the finance director of Asia Pacific and Japan of LSI Logic Hong Kong Limited from July 1997 to August 2004, primarily responsible for finance and accounting function for the operation in Asia Pacific and Japan; the finance director of Pacific Rim of Mentor Graphics Asia Pte Ltd. from August 2004 to April 2006, primarily responsible for the finance and accounting function of the operation in the Pacific Rim; the finance director for Asia Pacific region of the Autodesk Asia Pte Ltd. from April 2006 to June 2008, primarily responsible for finance and accounting function of the operation in Asia Pacific; and the chief financial officer, company secretary, managing director of corporate finance and investment and authorized representative of PuraPharm Corporation Limited (培力控股有限公司, a company listed on the Stock Exchange (stock code: 1498)) consecutively from April 2010 to January 2018. Mr. Cheng is an executive director in Sanai Health Industry Group Company Limited (三愛健康產業集團有限公司, a company listed on the Stock Exchange (stock code: 1889)) from May 2019 to October 2019. Mr. Cheng is currently an independent non-executive director, the chairman of the audit committee and a member of the nomination and remuneration committee in Luzhou Xinglu Water (Group) Co., Ltd. (瀘州市興瀘水務（集團）股份有限公司, a company listed on the Stock Exchange (stock code: 2281)).

Mr. Cheng obtained his bachelor's degree in finance and accounting from the University of Salford in the UK in July 1985, and his master's degree in accounting from the University of New South Wales in Australia in May 1992. Mr. Cheng was admitted as a certified practicing accountant of CPA Australia (formerly known as the Australian Society of Certified Practicing Accountants) and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 1992 and April 1992, respectively. Mr. Cheng became a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia in March 2003 and January 2004, respectively. Mr. Cheng was admitted as an associate member of the Chartered Governance Institute.U.K. (formerly known as the Institute of Chartered Secretaries and Administrators.U.K.) in April 1995 and a member of the Governance Institute of Australia (formerly known as Chartered Secretaries Australia) in December 1996. Mr. Cheng became a fellow member of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia in June 2012 and November 2013, respectively.

SUPERVISORY COMMITTEE

Mr. Liu Hongqing (劉洪慶), aged 56, is an employee representative Supervisor of the Company.

Prior to joining the Company, Mr. Liu served as a designer of Jiangsu Tongyun (Group) Jiangyang Automobile Factory (江蘇省通運集團江陽汽車廠) from July 1986 to November 1991, a director of engineering department and the chief engineer of Yangzhou Tonghua from December 1991 to March 2003 and the chief engineer and deputy general manager of Yangzhou Tonghua from April 2003 to April 2010.

Mr. Liu joined the Group in April 2003 and served as our Supervisor since then. Meanwhile, he has also been serving as the general manager of Yangzhou Tonghua since May 2010.

Mr. Liu obtained a bachelor's degree in automotive design and manufacturing from Jiangsu University (江蘇大學) in the PRC in July 1986 and obtained a postgraduate certificate in automotive design and manufacturing from Jiangsu University (江蘇大學) in the PRC in August 1999. In November 2013, Mr. Liu obtained the qualification of senior engineer at researcher level from the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳). He was awarded the title of the Outstanding Entrepreneurs of the Machinery Industry in Jiangsu Province (the Third Session) (第三屆江蘇省機械行業優秀企業家) by Jiangsu Provincial Association of Machinery Industry (江蘇省機械行業協會) in May 2018.

Mr. Liu also holds various professional positions, including a director of the China Association for Standardization, Automobile Branch (中國標準化協會汽車分會) since October 2014, a standing director of China Association of Automobile Manufacturers (中國汽車工業協會) since April 2017, an executive director of the Society of Automotive Engineers of Jiang Su (江蘇省汽車工程學會) for a term commencing from October 2017 and ending in October 2022 and an adjunct master tutor of Yangzhou University (揚州大學) since May 2012.

Mr. Liu Zhenhuan (劉震環), aged 64, is a shareholder representative Supervisor of the Company.

Prior to joining the Group, Mr. Liu served as a director and the deputy general manager of China Merchants Hainan Development Co., Ltd. (招商局海南發展總公司) from December 1994 to August 1995, a director of China Merchants International Travel Company (中國招商國際旅遊總公司) from August 1995 to December 1997, the chief accountant of China Ocean Shipping Agency (also known as Penavico) (中國外輪代理總公司) from January 1998 to December 2000, the deputy general manager of COSCO Group Investment Co., Ltd. (中遠集團投資有限公司) from January 2001 to November 2002 and the financial general manager of China COSCO Shipping (West Asia) Co., Ltd. (中遠西亞公司) from December 2002 to November 2006.

Mr. Liu joined CIMC in February 2007 and served as an assistant to the general manager of the financial management department, the vice general manager and general manager of the audit and supervision department of CIMC until December 2017. He is currently the secretary of the disciplinary and inspection commission of CIMC and a member of the executive committee of CIMC.

Mr. Liu has been our Supervisor since August 2011, and was appointed as the chairman of the Supervisory Committee of the Company on October 10, 2018.

Mr. Liu obtained a bachelor's degree in shipping transportation financial accounting from Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College (上海海運學院)) in the PRC in July 1987.

Mr. Liu obtained the qualification of senior auditor from the Ministry of Transport of the PRC (中華人民共和國交通部) in November 1994, the qualification of senior accountant from the Ministry of Transport of the PRC (中華人民共和國交通部) in October 1998, and obtained the qualification of CRMA (國際註冊風險管理確認師) from American Institute of Internal Auditors (美國內部審計師學會) in June 2012.

Mr. Liu also holds various professional positions, including a visiting professor of accounting of Shanghai Maritime University since September 1999, a member of the Internal Control Standards Committee of the MOF (財政部內控標準委員會) since November 2014, a deputy director of Transportation Branch of China Institute of Internal Audit (中國內部審計協會交通分會) and a vice president of Guangdong Enterprise Institute for Internal Controls (廣東省企業內部控制協會) and the chairman of its experts committee since December 2013. Mr. Liu was also awarded the title of outstanding internal control manager of listed companies in China (中國上市公司傑出內控經理) by China Internal Control Research Center (中國內部控制研究中心) in December 2013.

Mr. Li Xiaofu (李曉甫), aged 35, is a shareholder representative Supervisor of the Company.

Prior to joining the Group, Mr. Li served as an engineer of electrical control branch of high-tech department of GAC R&D Center (廣州汽車集團股份有限公司汽車工程研究院(廣汽研究院)).

Mr. Li joined the Group in October 2013 and served as a senior research and development engineer at our research and development center up to March 2015. Mr. Li subsequently served as a senior research and development engineer and project leader of our Light Tower project from March 2015 to September 2017, primarily responsible for "Light Tower" plant planning, application research on auto-manufacturing technology in semi-trailer manufacturing, leading the team, coordinating several cross-departmental and cross-enterprise upgrading projects of "Manufacturing Light-towerlization" in the Group. Mr. Li subsequently served as an office director of our technology office from September 2017 to July 2018, primarily responsible for assisting the chief technology officer in managing the chief technology office and structuring three-core working system, relevant designing and manufacturing for various product platforms, incubating and managing digital projects. Mr. Li has made outstanding contributions to the Group over the years and has been serving as the chief technology officer of the Group since July 2018, primarily responsible for the overall technology of the Group.

Mr. Li obtained a bachelor's degree in engineering with a major in ground weapon motor engineering (地面武器機動工程) from Beijing Institute of Technology (北京理工大學) in the PRC in July 2006. He also obtained a doctor's degree in engineering with a major in vehicle engineering (車輛工程) from South China University of Technology (華南理工大學) in the PRC in December 2012.

SENIOR MANAGEMENT

Mr. Li Guiping (李貴平) is an executive Director, Chief Executive Officer and President of the Company. See "-Board of Directors" in this section for the biographical details of Mr. Li.

Mr. Sun Chunan (孫春安), aged 50, is an executive vice president and the chief operation officer of the Company responsible for the PRC market.

Mr. Sun served as the director of Guangzhou office of Yangzhou Tonghua Special Vehicles Co., Ltd. (揚州通華專用車股份有限公司) from 1996 to 2001 and then the deputy manager of sales department of southern China of the Company from 2002 to 2004. He subsequently served as the deputy general manager of CIMC Shenzhen from 2005 to 2010. Since October 2010, Mr. Sun has served as the general manager of the sales center for southeast China area.

Mr. Sun obtained a bachelor's degree in bioengineering from Jiangnan University (江南大學) (formerly named Wuxi Institute of Light Industry) (無錫輕工業學院) in the PRC in June 1991. Mr. Sun obtained the qualification of assistant engineer (助理工程師) in November 1992 from Yangzhou Sanhe Pickles Co., Ltd. In June 2010, Mr. Sun completed a voyage program organized by CIMC.

Mr. Ye Jianfeng (葉劍峰), aged 46, is an executive vice president and the chief operation officer of the Company responsible for the overseas markets.

Prior to joining the Group, Mr. Ye served as the quality control supervisor of Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (深圳南方中集集裝箱製造有限公司) from June to November 2004.

He joined the Group in November 2004 and since then consecutively served as the assistant manager of sales management department, the manager of new business development department, the assistant to general manager of the Company and the director of global business development.

Mr. Ye graduated from Shenzhen University (深圳大學) in the PRC, majoring in English, in June 1993 and obtained a master's degree in business administration from the University of Ballarat in Australia in August 2004.

Mr. Ji Haifeng (紀海峰), aged 51, is the executive vice president and chief financial officer of the Company.

Prior to joining the Group, he worked in Motorola, Inc. (a company listed on the New York Stock Exchange (stock code: MSI)) since February 1998; and in HP Inc. (formerly known as Hewlett-Packard Company, a company listed on the New York Stock Exchange (stock code: HPQ)) from January 2007 to October 2015. Mr. Ji then joined the international business department of Midea Group Co., Ltd. (美的集團股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 000333)) and served as the financial budget director from October 2015 to July 2017. From July 2017 to June 2018, he served as the chief financial officer at Toshiba Lifestyle Products and Services Corporation. Mr. Ji re-joined Midea Group Co., Ltd. afterwards and worked as the finance director at the international business department from June 2018 to February 2019. From April 2017 to September 2017, he served as a non-executive director of MISR Refrigeration and Air Conditioning Mfg. Co. S.A.E (which was listed on the Egyptian Stock Exchange (stock code: MRCO.CA) and delisted in July 2018).

Since February 2019, Mr. Ji has been serving as the executive vice president and chief financial officer of the Company, and as the financial director of the Company since March 25, 2020. Mr. Ji obtained a bachelor's degree in radio engineering from the University of Science and Technology of China (中國科學技術大學) in July 1990. He obtained a master's degree in computer engineering from the University of Missouri in December 1997 and a master's degree in business administration from the Graduate School of Business of the University of Chicago in December 2003. Mr. Ji was accredited as a Chartered Financial Analyst by the CFA Institute in September 2006.

Mr. Jiang Qiwen (蔣啟文先生), aged 57, is the senior vice president of the Company.

Mr. Jiang Qiwen was appointed as the Company's senior vice president at the Board meeting held on December 16, 2019, with effect from December 16, 2019, and for a term of three years.

From April 1984 to January 1996, Mr. Jiang successively served as a worker, monitor, dispatcher and manager assistant in the production department of Shenzhen Southern CIMC Containers Manufacture Co., Ltd., (深圳南方中集集裝箱製造有限公司)("**Southern CIMC**"); from January 1996 to December 2000, he served as the manager of the production department of Shenzhen CIMC-TianDa Airport Support Co., Ltd.(深圳中集天達空港設備有限公司); from December 2000 to January 2004, he served as the manager of the production department of Southern CIMC; from April 2004 to March 2008, he served as assistant to the general manager and deputy general manager of Shenzhen CIMC Special Vehicle Co., Ltd. (深圳中集專用車有限公司) ("**CIMCSV**"); from March 2008 to December 2009, he served as executive deputy general manager of CIMCSV; from January 2010 to January 2017, he served as general manager of CIMCSV; and since January 2017, he has been the president of the consortium of CIMCSV.

Ms. Li Zhimin (李志敏), aged 50, is the vice president of the Company, the secretary of the Board and the joint Company Secretary of the Company.

Ms. Li worked with Tianqin Accounting Firm (天勤會計師事務所) from July 2000 to November 2001; and as the manager of audit department of Tianjian Xinde Accounting Firm (天健信德會計師事務所) from October 2001 to April 2005.

Since April 2005, Ms. Li joined the Group and held various positions such as the finance manager, the head of finance department of the Company, the assistant to general manager of the Company and the deputy general manager.

Ms. Li graduated from school of management science and engineering from Wuhan University of Technology (武漢工業大學) in the PRC with a major in industrial management engineering in June 1991. Ms. Li obtained the qualification of accountant from the MOF in May 1997 and the qualification of certified public accountant from Hubei Institute of Certified Public Accountants on September 5, 1997.

Mr. Luo Peng (駱鵬), aged 42, is the financial director of the Company.

From July 2004 to August 2006, Mr. Luo served as the accounting manager of the Company. From August 2006 to April 2009, he served as the financial manager of Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. (張家港中集聖達因低溫裝備有限公司).

In May 2009, Mr. Luo re-joined the Group and served as the deputy manager of financial management department, the manager of accounting department and the financial director of the Company.

Mr. Luo graduated from Xi'an Jiaotong University (西安交通大學) in the PRC with a major in accounting in July 1999 and obtained a master's degree in management in June 2004 from the same university. Mr. Luo obtained the qualification of certified tax agent from the China Certified Tax Agents Association in June 2002 and the qualification of certified public accountant from the Chinese Institute of Certified Public Accountants in April 2003.

Mr. Luo ceased to be the financial director of the Company since March 25, 2020.

DIRECTORS' REPORT

The Board would like to present their report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

As at the date of this report, the Group's continuing operations comprise the manufacture and sale of semi-trailers and truck bodies for specialty vehicles. There was no significant change in the nature of the Group's principal activities during the year.

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at December 31, 2019 and profit for the Year are set out on pages 117 and 118, and page 115 respectively of this report.

BUSINESS REVIEW

The business review during the year of the Group and the discussion on the future developments of the Group's business are set out separately under the section headed "Management Discussion and Analysis" on the pages 8 to 40 of this report.

2019 FINAL DIVIDEND

The Board recommended to distribute 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 2019 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 2019 AGM.

CLOSURE OF REGISTER OF MEMBERS

To ascertain Shareholders' entitlement to the 2019 Final Dividend, the register of members of the Company will be closed from Saturday, June 27, 2020 to Thursday, July 2, 2020 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for the 2019 Final Dividend, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the registered office of the Company in the PRC at No. 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong province, the PRC (for domestic Shareholders), not later than 4:30 p.m. on Friday, June 26, 2020.

Moreover, for the purpose of determining the entitlement to attend and vote at the 2019 AGM, the register of members will be closed from Saturday, May 23, 2020 to Monday, June 22, 2020 (both days inclusive), during which no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the 2019 AGM, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the registered office of the Company in the PRC at No. 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong province, the PRC (for domestic Shareholders), not later than 4:30 p.m. on Friday, May 22, 2020.

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX AND INDIVIDUAL TAX INCOME FOR OVERSEAS H-SHARE ENTERPRISES ON DISTRIBUTION OF THE 2019 FINAL DIVIDEND

Pursuant to the Enterprise Income Tax Law, the Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China and the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), when the Company distributes final dividends to the non-resident enterprise Shareholders whose names appear on the register of members of the Company's H Shares, the enterprise income tax shall be withheld at a uniform rate of 10%.

In respect of all non-resident Shareholders whose names appear on the register of members of the Company's H Shares as at the record date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2019 Final Dividend after deducting an enterprise income tax of 10%.

Pursuant to the Notice of Certain Issues on the Policies of Individual Income Tax by the Ministry of Finance and the State Taxation Administration (Cai Shui Zi [1994] No.020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), overseas individuals are for the time being exempt from the individual income tax of the PRC for the dividends and bonuses from China's foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay individual income tax in respect of the 2019 Final Dividend payable to any natural person Shareholders whose names appear on the register of members of the Company's H Shares as at the record date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the register of members of the Company's H Shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Friday, June 26, 2020.

If anyone would like to change the identity of the holders in the register of members of the Company's H Shares, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold and pay the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the register of members of the Company's H Shares on the record date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders or any disputes over the mechanism of withholding and payment of enterprise income tax.

PROPERTY, PLANTS AND EQUIPMENT

The details of the Group's property, plants and equipment during the year are set out in the note 16 to the consolidated financial statements in this report.

As at December 31, 2019, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceed 5%.

RESERVES

Details of the movements in the reserves of the Group during the Reporting Period are set out in note 30 to the Consolidated Financial Statements and the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company's reserves available for distribution to the Shareholders, comprising retained profits, amounted to approximately RMB1,038.2 million (December 31, 2018: RMB492.0 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2019, the Group's sales to the largest customer and aggregate sales to the five largest customers accounted for 4.6% and 11.0% of the Group's total revenue respectively (2018: 5.2% and 11.7% respectively).

For the year ended December 31, 2019, the Group's purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 9.1% and 22.4% of the Group's total purchases respectively (2018: 6.7% and 20.5% respectively).

For the year ended December 31, 2019, none of the Directors, their respective associates or any Shareholder who, to the knowledge of the Directors, owns more than 5% of our issued share capital have any interest in any of the Group's five largest suppliers and five largest customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure the Group's compliance to the prevailing environmental protection laws and regulations.

Up to the date of this report, the Group does not have any violation of relevant environmental regulations and rules which have a significant impact to the Group's development, performance and business.

The Environmental, Social and Governance Report as required by Appendix 27 of the Listing Rules is expected to be published separately by the Company before July 28, 2020.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company understands the importance of compliance with laws and regulations and during the Relevant Period, to the best of the Directors' knowledge, the Company has complied with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Special Regulations of the State Council of the People's Republic of China on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, the SFO, the Listing Rules and other relevant laws and regulations.

Although the Company is incorporated in China, its business activities and investments cover various jurisdictions, including but not limited to China, the United States of America and Europe. During the Relevant Period, the Company had complied with all material laws and regulations of the aforesaid jurisdictions that have an impact on the Company.

MAJOR RISKS AND RESPONSIVE MEASURE

With the growth of global operations, the Group further enhanced group-level risk management in 2019, and improved enterprise risk management system from the aspects of organizational structure, management policies and work flows to enhance risk management level. Nevertheless, the Group is fully aware of the risks and uncertainties in its operations, such as:

1. Market and business risks

As a leading semi-trailer enterprise in the world, most of the Group's revenue mainly derives from China, North America and Europe markets. Therefore, the macroeconomic situation, the fluctuations in semi-trailer demands in China, North America and Europe markets, and government policies will have direct impact on the Group. During the Reporting Period, China's economic growth would face further downward pressure as negative impact such as Sino-US trade frictions and global liquidity ebb gradually emerged. At the same time, China's economy is shifting from the stage of high-speed growth to that of high-quality development. The vehicle transportation industry is also in a new stage of transformation and upgrading. In the process of transformation and upgrading, supervision would become tighter. However, benefiting from local manufacturing and local marketing in the North American market, the impact of tariff escalation has been fully controlled. In addition, the Group proactively seized the opportunities in the market of specialty vehicles and responded to the requirements of national industry regulations and policies to promote the upgrading and replacement of specialty vehicles and enhance the market coverage of products.

2. *Foreign Exchange Exposure*

The Group's cash and cash equivalents are mainly denominated in Renminbi, Hong Kong dollar and US dollar, and borrowings are mainly denominated in Renminbi and US dollar. Affected by, among others, changes in China's foreign exchange policies and international economic and political development, the Group's foreign exchange exposure mainly arises from the conversion of Renminbi against the US dollar, Great British pound, Hong Kong dollar and Euro. During the Reporting Period, we managed 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 terms of the Group's hedging activities are required to be less than six months or the term of the relevant borrowings. The management of the Group paid continuous attention to the market environment and its own foreign exchange risk profile, and considered appropriate hedging measures when necessary.

3. *Environmental risks*

The Group is subject to extensive national and local environmental laws and regulations governing pollution, noise emissions, hazardous substances, water and waste discharge and management, and other environmental matters relating to its properties and operations. Any violation of these laws and regulations may result in substantial fines, revocation of operating permits, shutdown of our facilities and obligations to take corrective measures. At the beginning of the year, the Group formulated and issued safety, environmental protection and occupational health policies, key work plans and assessment indicators, which were followed up on a regular basis. It also conducts casual inspections and audits to its subordinate enterprises per annum to monitor the operation of their health, safety and environmental protection systems. In 2019, all manufacturing enterprises in China have completed the application for emission licenses. Each enterprise established/examined ISO45001, ISO14001 and safety standardization systems based on its actual situation, and meanwhile conducted regular monitoring of occupational hazards and emissions of three wastes in its workplace to ensure disposal/emission compliance.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's relationships with employees, customers and suppliers will be set out separately in the Environmental, Social and Governance Report to be published before July 28, 2020.

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.

The details of capital commitments are set out in the note 38 to the consolidated financial statements in this report.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As of December 31, 2019, the details of the Company's subsidiaries, associates and joint ventures during the year are set out in the notes 20 and 22 to the consolidated financial statements in this annual report.

DONATIONS

The charity and other donations made by the Group during the year amounted to approximately RMB1.0 million.

CONNECTED TRANSACTIONS

CIMC holds more than 10% of the issued share capital of the Company, and is therefore a Substantial Shareholder of the Company as defined in the Listing Rules. Accordingly, CIMC is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, CIMC Group and associates of CIMC ("CIMC Connected Persons", and, for the avoidance of doubt, excluding the Group) are our connected persons by virtue of Rule 14A.07(4) of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

As disclosed in the Prospectus, the following set out a summary of the Company's non-exempted continuing connected transactions.

1. Deposit Service Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons); and
The Company.

Reasons for the transaction: Since February 2010, the Group has deposited cash into its bank accounts maintained with CIMC Financial Institution, a non-wholly owned subsidiary of CIMC and a non-bank financial institution, and CIMC Financial Institution has provided deposit services to the Group. In return, the Group receives interest income from CIMC Financial Institution on such deposits. Such deposit taking service is within the ordinary and usual course of business of CIMC Financial Institution and CIMC Financial Institution is restricted from providing such deposit taking service to independent parties from the public in accordance with applicable PRC laws. As of December 31, 2019, CIMC Financial Institution had a registered capital of RMB920 million.

Principal terms: We entered into a deposit service framework agreement (the "Deposit Service Framework Agreement") with CIMC (on behalf of CIMC Connected Persons) on January 15, 2019, pursuant to which CIMC Connected Persons will provide deposit services to the Group. For the deposit services provided, we deposit cash into our bank accounts maintained with CIMC Financial Institution, including cash generated from our daily business operations and proceeds generated from our financing activities. In return, CIMC Financial Institution pays deposit interests to us. The term of the Deposit Service Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: Interest rates for the deposits placed by the Group with CIMC Connected Persons shall be determined with reference to: (i) the interest rates published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by other subsidiaries of CIMC Group with CIMC Connected Persons; and (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks and/or other non-bank financial institutions to us.

Annual caps: The maximum daily balance of deposit and the aggregate annual amount of interest income in respect of the Deposit Service Framework Agreement for the two years ending December 31, 2019 and 2020 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 *(RMB'000)*	
	2019	**2020**
Maximum daily balance of deposit placed by the Group with CIMC Connected Persons	700,000	700,000
Interest income derived from the cash deposit	20,000	20,000

From the Listing Date to December 31, 2019, the maximum daily balance of deposit placed by the Group with CIMC's financial company was RMB690.5 million, and the interest income from deposit recognised by the Group for the year ended December 31, 2019 was RMB17.4 million.

Basis of caps: The above annual caps for maximum daily balance of deposit are determined with reference to (i) historical balance of deposits placed by the Group with CIMC Financial Institution; and (ii) our efforts to reduce our balance of deposits in order to further enhance our financial independence from CIMC Group in the future.

In respect of the deposit services to be provided by CIMC Connected Persons to the Group, the above proposed annual caps for the interest income to be received by us from CIMC Connected Persons are determined based on the expected interest rates of approximately 2.86% of our maximum outstanding deposit amount, which is generally in line with prevailing market rates. On March 25, 2020, the Board considered and approved a resolution on entering into the Deposit Service Framework Agreement, transactions contemplated thereunder and proposed annual caps between the Company and CIMC. The resolution shall be subject to approval by independent Shareholders. For further details of the Deposit Service Framework Agreement, please refer to the Prospectus and the announcement regarding the continuing connected transaction-deposit service framework agreement published on March 25, 2020.

2. Procurement Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons) (as the supplier); and The Group (as the purchaser).

Reasons for the transaction: We have been procuring raw materials, truck chassis, containers, vehicle parts and components, logistics services, etc. from CIMC Connected Persons. We will continue to procure such products and services from CIMC Connected Persons as CIMC Connected Persons have been providing us with such products and services with standard and quality commensurate with our requisite safety and quality standard. As such, we believe that CIMC Connected Persons are familiar with our safety and quality standard and will be able to satisfy our demand efficiently and reliably with minimal disruption to the Group's operations and internal procedures. We believe that we have readily available access to identical or similar raw materials, containers, truck chassis and vehicle parts and components and logistics services from Independent Third Parties on similar terms in the PRC and elsewhere, but that such procurement from Independent Third Parties would not be as efficient from a cost perspective or operation perspective as our current procurement arrangements with CIMC Connected Persons.

Principal terms: We entered into a procurement of products and services framework agreement on January 15, 2019 and will enter into a supplemental agreement before Listing to adjust the annual caps to those as indicated in the paragraph "Annual caps" below (together, the "Procurement Framework Agreement") with CIMC (on behalf of CIMC Connected Persons), pursuant to which CIMC Connected Persons will supply raw materials, containers, truck chassis and vehicle parts and components and logistics services to the Group. The term of the Procurement Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: In order to ensure that the terms of transactions in respect of the procurement of products and general services by the Group from CIMC Connected Persons are fair and reasonable and in line with market practices, and that the terms of transactions will be no less favorable to the Group than the terms for transactions between the Group and Independent Third Parties, the Group has adopted the following measures:

(a) to have regular contact with the suppliers of the Group (including CIMC Connected Persons) to keep abreast of market developments and the price trend of products and general services;

(b) to assess, review and compare the quotations or proposals (except for the procurement of truck chassis, the suppliers of which are subject to the preference of the customers of the Group) taking into account various factors including quality, payment, flexibility and after-sales services to ensure that the proposed transactions will be consistent with the general interests of the Group and our Shareholders as a whole.

Raw materials, containers, truck chassis and vehicle parts and components

Raw materials, containers, truck chassis and vehicle parts and components will be priced with reference to market prices of comparable products and services, and the costs that would incur in procuring such products and services.

Logistics services

The fees of logistics services will be charged on the basis of the volume, size and weight of the semi-trailers, truck bodies or components and parts to be shipped, custodial requirements, and delivery and handling requirements. When determining the prices, the procurement department of the Group will also make reference to market prices charged by logistics service providers to other enterprises engaging in the same industry. When the Group procures relevant products and services in its ordinary and usual course of business, it selects suppliers and determines the relevant procurement terms through negotiations based on the categories and scale of the procurement. The Group implements various internal approval and monitoring procedures, including obtaining quotations from other independent suppliers of similar products and services and consider assessment criteria (including price, quality, suitability, payment terms, and time required for the provision and delivery of the products and services) before entering into any new procurement arrangement with CIMC, and reviewing such quotes, together with the offer from CIMC.

Annual caps: The maximum aggregate annual amounts in respect of the Procurement Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 *(RMB'000)*		
	2019	**2020**	**2021**
Procurement amount	700,000	760,000	820,000

During the year, the Group's procurement amount was RMB616.7 million.

Basis of caps: The above annual caps for procurement amount are determined with reference to: (i) historical amounts of procurement from CIMC Connected Persons taking into account the increase in the procurement amounts for the year ended December 31, 2018 when compared to that for the year ended December 31, 2017; and (ii) the estimated sales volume of certain types of trailers and truck bodies with steady growth by taking into account, among others, macroeconomic conditions, market demand and industry standards, as well as the development strategies and business expansion plan of the Group.

For further details of the Procurement Framework Agreement, please refer to the Prospectus.

3. ***Provision of Products and Services Framework Agreement***

Parties: CIMC (on behalf of CIMC Connected Persons) (as the purchaser); and The Group (as the supplier).

Reasons for the transaction: We have been providing CIMC Connected Persons semi-trailers, truck bodies and components as well as container repairing and supply chain services etc. In the ordinary and usual course of our business, the Group provides various products and general services to CIMC Connected Persons. Our Directors consider that the provision of products and general services to CIMC Connected Persons would benefit the Group for the following reasons:

(a) we and CIMC Connected Persons have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;

(b) prices and terms for the products and services provided by us to CIMC Connected Persons are no less favorable to us than those offered by us to Independent Third Parties.

Principal terms: We entered into a provision of products and services framework agreement (the "**Provision of Products and Services Framework Agreement**") on January 15, 2019 with CIMC (on behalf of CIMC Connected Persons), pursuant to which CIMC Connected Persons will purchase semi-trailers, truck bodies, components, container repairing and supply chain services from the Group. The term of the Provision of Products and Services Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: The Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable to the Group than those for transactions between the Group and Independent Third Parties under the same conditions.

Semi-trailers and truck bodies

In determining the prices of the semi-trailers, truck bodies and components, we will refer to the average profit margin in the market and our underlying costs related to manufacturing and sale of such products. As part of our internal approval and monitory procedures, we will gather information on market prices and profit margin levels of trailer and truck body products in the industry through industrial associations such as the China Association of Automobile Manufacturers and independent trailer and truck body manufacturers in the PRC and overseas, and we will use such information as the basis to determine the price and make sure that the price agreed with CIMC will be no less favorable to us compared to those offered to or quoted by Independent Third Parties.

Other services fees

The service fees charged by us to CIMC Connected Persons for provision of container repairing and supply chain services are determined on the basis of arm's length negotiations between the relevant parties. We will make reference to the applicable historical prices of relevant services (including the prices charged of same services provided by the Group to Independent Third Parties), the comparable market prices offered to or quoted by Independent Third Parties and the principle of cost plus a reasonable margin, to ensure that the terms of providing services to CIMC Connected Persons are fair and reasonable for the Group and the price agreed with CIMC will be no less favorable to us compared to those offered to or quoted by Independent Third Parties.

Annual caps: The maximum aggregate annual amounts in respect of the Provision of Products and Services Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 *(RMB'000)*		
	2019	**2020**	**2021**
Sales amount	300,000	350,000	400,000

During the year, the Group's sales amount was RMB128.4 million.

Basis of caps: The above annual caps for sales amount are determined with reference to: (i) historical amount of sales to CIMC Connected Persons taking into account the increase in the sales amount for the year ended December 31, 2018 when compared to that for the year ended December 31, 2017; and (ii) estimated steady growth on future sales of certain types of semi-trailers and truck bodies to be supplied to CIMC Connected Persons by taking into account, among others, macroeconomic conditions, market demand and industry standards, as well as the development strategies and business expansion plan of the Group.

For further details of the Provision of Products and Services Framework Agreement, please refer to the Prospectus.

4. *Financial Guarantees Framework Agreement*

Parties: CIMC (on behalf of CIMC Connected Persons); and
The Group.

Reasons for the transaction: Certain customers of the Group may obtain financing from commercial banks in the PRC or other non-bank financial institutions (including non-bank financial institution(s) of CIMC Group ("**CIMC Financial Group**")) for the purchase of products from the Group. Following such financing arrangement, the Group has, based on our credit assessment of the relevant customers, entered into financial guarantee contracts with the lenders which are the commercial banks or other non-bank financial institutions in the PRC (including CIMC Financial Group) to provide financial guarantees for the benefit of, and to facilitate financing to, such customers. The provision of financial guarantees to facilitate a customer's purchase of products from the Group is a service offered by us to our customers and is a common practice in the semi-trailer and truck body industry.

Principal terms: We entered into a financial guarantees framework agreement on January 15, 2019 and will enter into a supplemental agreement before Listing to adjust the annual caps to those as indicated in the paragraph "Annual caps" below (together, the "**Financial Guarantees Framework Agreement**") with CIMC (on behalf of CIMC Connected Persons), pursuant to which the Group agrees to provide financial guarantees to CIMC Financial Group to facilitate the financing to customers of the Group. The term of the financial Guarantees Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: The financial guarantees provided by the Group to the CIMC Financial Group are on normal commercial terms or better to the Group compared to those of the financial guarantees provided by the Group to independent commercial banks in the PRC and/or other non-bank financial institutions.

Annual caps: The maximum daily balance in respect of the Financial Guarantees Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 ***(RMB'000)***		
	2019	**2020**	**2021**
Maximum daily balance of financial guarantees provided by the Group to CIMC Financial Group	700,000	760,000	820,000

During the period from the Listing Date to December 31, 2019, the maximum daily financial guarantees provided by the Group to CIMC Financial Group amounted to RMB684.0 million.

Basis of caps: The above annual caps are determined with reference to: (i) historical balance of financial guarantees provided by the Group to CIMC Financial Group taking into account the increase in the balance of guarantees as of December 31, 2018 when compared to that as of December 31, 2017; and (ii) the expected increase in demand for financing of customers taking into account estimated increase in the demand for certain types of semi-trailers and truck bodies as well as the development strategies and business expansion plan of the Group.

For further details of the Financial Guarantees Framework Agreement, please refer to the Prospectus.

Save as disclosed above, the Company did not have any connected transactions during the Reporting Period which are required to be disclosed under Listing Rules 14A.

ANNUAL REVIEW CONDUCTED BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

The Company's independent non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the terms of the relevant agreements governing the transactions and on terms that are fair and reasonable and in interests of the Company and the Shareholders as a whole.

The Company's auditor was engaged to report on the above transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Listing Rules 14A.56. The auditor has the following conclusions in the letter on continuing connected transactions disclosed by the Group:

(a) nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to the auditor's attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value in respect of each of the disclosed continuing connected transactions.

Save as disclosed above, during the Reporting Period, all the related parties' transactions set out in note 41 of consolidated financial statement did not constitute connected transactions or continuing connected transactions of the Company which shall be disclosed pursuant to the provisions in respect of connected transaction disclosure requirements under Chapter 14A of the Listing Rules.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

As at December 31, 2019, the Group had approximately 13,587 full-time employees (2018: 14,990). The decrease in number of employees was mainly due to organizational restructuring and the production adjustments made by certain factories. In 2019, employee benefit expenses amounted to RMB1,934.8 million (2018: RMB1,861.9 million). The increase in the employee benefit expenses was mainly due to the fact that (1) higher performance awards accrued for the sales and management teams compared to the same period last year as the sales of certain types of vehicles in the domestic market achieved the targets during the year; and (2) employees' salaries were retrenched after the organizational restructuring and production adjustments made by certain factories during the year, partially offsetting the impact of the aforesaid increase in performance awards; The employee remuneration structure of the Group is the monthly basic salary plus monthly or quarterly or annual performance awards. The Group also provides employee benefits to all employees, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and other national statutory insurances and housing provident fund schemes.

The Group arranges regular internal trainings to employees at all levels as needed, such as orientations on corporate culture, policies, products knowledge and basic professional skills for new employees; trainings on leadership, management and strategic planning skills for management employees; and seminars and workshops on selected topics such as project management, costs management, business planning and work safety. Employees may apply for subsidies to participate in relevant professional trainings offered by recognized institutions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE CAPITAL

As at December 31, 2019, the Company had a total of 1,765,000,000 Shares in issue with a nominal value of RMB1.00 each, representing a total issued share capital of RMB1,765,000,000, which consisted of 1,201,080,000 Domestic Shares with a nominal value of RMB1.00 each and 563,920,000 H Shares with a nominal value of RMB1.00 each.

As at December 31, 2019, the share capital of the Company was as follows:

Class of Shares	Number of Shares	Approximate percentage of the issued share capital of the Company
Domestic Shares	1,201,080,000	68.05%
H Shares converted from unlisted foreign Shares held by CIMC Hong Kong and Sumitomo Corporation[1]	298,920,000	16.94%
H Shares issued under the Global Offering	265,000,000	15.01%
Total	1,765,000,000	100%

1 *A total of 298,920,000 H Shares were converted from 284,985,000 unlisted foreign Shares held by CIMC Hong Kong and 13,935,000 unlisted foreign Shares held by Sumitomo Corporation upon the Listing.*

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As of December 31, 2019, the interests and/or short positions of the Directors, Supervisors and chief executive of the Company (the "**Chief Executive**") in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they are taken or deemed to have under such provisions of the SFO, or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Class of Shares	Number of Shares/ underlying Shares held	Long position/ Short position	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
Li Guiping	Interest in controlled corporation [(1)]	Domestic Shares	99,037,500	Long position	8.25%	5.61%
Wang Yu	Interest in controlled corporation [(2)]	Domestic Shares	75,877,500	Long position	6.32%	4.30%
Zeng Beihua	Interest in controlled corporation [(2)]	Domestic Shares	75,877,500	Long position	6.32%	4.30%

Notes:

(1) Mr. Li Guiping is an executive Director of the Company, Chief Executive Officer and President. Mr. Li is interested in 47.37% of the shares of Shenzhen Longhui, the general partner of Xiangshan Huajin and therefore he is deemed to be interested in 75,877,500 Domestic Shares held by Xiangshan Huajin. Mr. Li is interested in 80% of the equity interest of Longyuan Investment, the general partner of Shenzhen Longyuan, and therefore he is also deemed to be interested in 23,160,000 Domestic Shares held by Shenzhen Longyuan.

(2) Mr. Wang Yu and Ms. Zeng Beihua are non-executive Directors of the Company. Each of Mr. Wang and Ms. Zeng is interested in 26.32% of the shares of Shenzhen Longhui, the general partner of Xiangshan Huajin, and therefore they are also deemed to be interested in 75,877,500 Domestic Shares held by Xiangshan Huajin.

LONG POSITIONS IN THE SHARES/UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Associated corporation	Class of shares held in the associated corporation	Name of Director	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of shareholding
CIMC	A shares	Mai Boliang	Beneficial owner *(Note 1)*	4,013,643	0.26% *(Note 2)*
		Wang Yu	Beneficial owner *(Note 1)*	300,000	0.02% *(Note 2)*
CIMC Enric	Ordinary shares	Mai Boliang	Beneficial owner	7,260,000	0.36% *(Note 3)*
		Wang Yu	Beneficial owner	400,000	0.02% *(Note 3)*
		Zeng Beihua	Beneficial owner *(Note 4)*	280,000	0.01% *(Note 3)*
China Jiangsu Vanguard Trailer Rental Co., Ltd. (江蘇掛車幫租賃有限公司)	Domestic shares	Li Guiping	Interest in controlled corporation *(Note 5)*	10,000,000	5.00%
		Zeng Beihua	Interest in controlled corporation *(Note 5)*	10,000,000	5.00%
Shenzhen SF-Trailernet Technology Co., Ltd. (深圳市星火車聯科技有限公司)	Domestic shares	Li Guiping	Interest in controlled corporation *(Note 6)*	1,000,200	16.67%

DIRECTORS' REPORT *(Continued)*

Notes:

1. *Mr. Mai Boliang and Mr. Wang Yu are non-executive Directors of the Company. Mr. Mai Boliang holds 593,643 A shares in issue of CIMC, an associated corporation of the Company. On September 28, 2010, each of Mr. Mai Boliang and Mr. Wang Yu was granted A share options in respect of 3,420,000 shares and 300,000 shares, respectively from CIMC under the A share(s) option incentive scheme adopted by the Company's associated corporation, CIMC. These share options granted to any grantee are exercisable at an exercise price of RMB8.06 per share during the period from June 2, 2015 to September 27, 2020 and the period from September 28, 2014 to September 27, 2020, respectively.*

2. *The approximate percentage of shareholding is calculated based on the total issued A-share capital of 1,524,612,452 shares of CIMC as of December 31, 2019.*

3. *The approximate percentage of shareholding is calculated based on the total issued ordinary share capital of 2,010,432,588 shares of CIMC Enric as at December 31, 2019.*

4. *Ms. Zeng Beihua is a non-executive Director of the Company. On November 11, 2009, Ms. Zeng Beihua was granted ordinary share options in respect of 550,000 shares from CIMC Enric, an associated corporation of the Company, under the share option incentive scheme adopted by CIMC Enric. These share options granted to any grantee are exercisable at an exercise price of HK$4 per share during the period from November 11, 2010 to November 10, 2019. During the period from September 10, 2019 to November 7, 2019, Ms. Zeng Beihua had fully exercised share options on 550,000 shares of CIMC Enric held by her at the exercise price and sold 270,000 shares of CIMC Enric on the open market.*

5. *Mr. Li Guiping is an executive Director, Chief Executive Officer and President of the Company and Ms. Zeng Beihua is a non-executive Director of the Company. Mr. Li and Ms. Zeng are interested in 24% and 12%, respectively of the shares of Shenzhen Huixin Enterprise Management Center (Limited Partnership) (深圳匯信企業管理中心（有限合夥)), of which Ms. Zeng is the general partner, and therefore they disclose their interests in 5% of the shares of China Jiangsu Vanguard Trailer Rental Co., Ltd.*

6. *Li Guiping is an executive Director, Chief Executive Officer and President of the Company. Mr. Li is interested in 4.8% of the shares of Shenzhen Yuanxin Investment Partnership (Limited Partnership) (深圳源欣投資合夥企業（有限合夥)), and therefore he discloses his interest in 16.67% of the shares of Shenzhen SF-Trailernet Technology Co., Ltd. (深圳市星火車聯科技有限公司) which is held by the Company as to 23.33% of its shares.*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As of December 31, 2019, to the knowledge of Directors, the following persons other than the Directors, Supervisors and Chief Executive had interests and/or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Long position/ Short position	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
CIMC	Beneficial owner	Domestic Shares	664,950,000	Long position	55.36%	37.67%
	Interest in controlled corporation (1)	H Shares	284,985,000	Long position	50.54%	16.15%
Ping An Decheng	Interest in controlled corporation (2)	Domestic Shares	413,932,500	Long position	34.46%	23.45%
Ping An Financial	Interest in controlled corporation (2)	Domestic Shares	413,932,500	Long position	34.46%	23.45%
Ping An Group	Interest in controlled corporation (2)	Domestic Shares	413,932,500	Long position	34.46%	23.45%
CIMC Hong Kong	Beneficial owner	H Shares	284,985,000	Long position	50.54%	16.15%
Shanghai Taifu	Beneficial owner	Domestic Shares	252,330,000	Long position	21.01%	14.30%
Chi Xiao	Interest in controlled corporation (3)	Domestic Shares	252,330,000	Long position	21.01%	14.30%
Nanshan Group	Interest in controlled corporation (3)	Domestic Shares	252,330,000	Long Position	21.01%	14.30%
Taizhou Taifu	Beneficial owner	Domestic Shares	161,602,500	Long position	13.45%	9.16%
Ping An Life Insurance	Interest in controlled corporation (4)	Domestic Shares	161,602,500	Long position	13.45%	9.16%
Ping An Health Partnership	Interest in controlled corporation (4)	Domestic Shares	161,602,500	Long position	13.45%	9.16%

DIRECTORS' REPORT *(Continued)*

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Long position/ Short position	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
Shenzhen Sidao Branch Investment Co., Ltd. (深圳市思道科投資有限公司)	Interest in controlled corporation [4]	Domestic Shares	161,602,500	Long position	13.45%	9.16%
Shenzhen Pingan Yuanxin Investment Development Holdings Co., Ltd. (深圳市平安遠欣投資發展控股有限公司)	Interest in controlled corporation [4]	Domestic Shares	161,602,500	Long position	13.45%	9.16%
Xiangshan Huajin	Beneficial owner	Domestic Shares	75,877,500	Long position	6.32%	4.30%
Shenzhen Longhui	Interest in controlled corporation [5]	Domestic Shares	75,877,500	Long position	6.32%	4.30%
SAIC MOTOR HK INVESTMENT LIMITED	Beneficial owner	H Shares	60,795,000	Long position	10.78%	3.44%
Hong Kong Tiancheng Investment & Trading Co. Limited	Beneficial owner	H Shares	42,556,500	Long position	7.55%	2.41%
Shandong Linglong Tire Co., Ltd.	Interest in controlled corporation [6]	H Shares	42,556,500	Long position	7.55%	2.41%
Linglong Group Co., Ltd. (玲瓏集團有限公司)	Interest in controlled corporation [6]	H Shares	42,556,500	Long position	7.55%	2.41%
Wang Xicheng	Interest in controlled corporation [6]	H Shares	54,124,500	Long position	9.60%	3.06%

Notes:

(1) CIMC Hong Kong is a wholly owned subsidiary of CIMC and therefore CIMC is deemed to be interested in H Shares held by CIMC Hong Kong.

(2) Ping An Decheng is the general partner of Shanghai Taifu and Taizhou Taifu and therefore it is deemed to be interested in our Domestic Shares held by Shanghai Taifu and Taizhou Taifu. Ping An Decheng is wholly owned by Ping An Financial which is ultimately controlled by Ping An Group and therefore both Ping An Financial and Ping An Group are deemed to be interested in our Domestic Shares held by Shanghai Taifu and Taizhou Taifu.

(3) Chi Xiao is a limited partner of Shanghai Taifu which holds 39.63% of its interests and therefore it is deemed to be interested in our Domestic Shares held by Shanghai Taifu. Chi Xiao is wholly owned by Nanshan Group and therefore Nanshan Group is also deemed to be interested in our Domestic Shares held by Shanghai Taifu.

(4) Both Ping An Life Insurance and Ping An Health Partnership are limited partners of Taizhou Taifu which holds 47.62% and 38.33% of their interests, respectively, and therefore both of them are deemed to be interested in our Domestic Shares held by Taizhou Taifu. Shenzhen Sidao Branch Investment Co., Ltd. (深圳市思道科投資有限公司) is a wholly-owned subsidiary of Shenzhen Pingan Yuanxin Investment Development Holdings Co., Ltd. (深圳市平安遠欣投資發展控股有限公司) and holds 46.59% of the equity interest of Ping An Health Partnership, and therefore it is deemed to be interested in our Domestic Shares held by Taizhou Taifu.

(5) Shenzhen Longhui is the general partner of Xiangshan Huajin and holds 50.67% of the equity interest of Xiangshan Huajin, and therefore it is deemed to be interested in 75,877,500 Domestic Shares held by Xiangshan Huajin.

(6) Mr. Wang Xicheng is interested in 51% of the shares of Linglong Group Co., Ltd. (玲瓏集團有限公司) which in turn holds 50.35% of the equity interest of Shandong Linglong Tire Co., Ltd.. Hong Kong Tiancheng Investment & Trading Co. Limited is a wholly-owned subsidiary of Shandong Linglong Tire Co., Ltd., and therefore all of them are deemed to be interested in the H Shares held by Hong Kong Tiancheng Investment & Trading Co. Limited. In addition, Mr. Wang Xicheng is interested in 51% of the equity interest of Elite Faith Trading Limited and therefore he is also deemed to be interested in 11,568,000 H Shares held by Elite Faith Trading Limited.

PUBLIC FLOAT

From the Listing Date to the date of this report, according to the information available to the Company and to the best knowledge of the Directors, the public float of the Company is no less than 15.8%, which is in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

ADVANCE TO AN ENTITY

For the year ended December 31, 2019, there was no advance extended by the Company to an entity which is subject to disclosure.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

For the year ended December 31, 2019, there was no pledge of Shares by the Controlling Shareholders.

DIRECTORS' REPORT *(Continued)*

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS

For the year ended December 31, 2019, there was no loan agreement of the Company with covenants relating to specific performance of the Controlling Shareholders.

BREACH OF LOAN AGREEMENTS

For the year ended December 31, 2019, there was no breach of the loan agreements by the Company in which the loan involved would have a significant impact on the business operations of the Company.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

For the year ended December 31, 2019, there was no financial assistance or guarantee to affiliated companies by the Company which is subject to disclosure.

DIRECTORS AND SUPERVISORS

Executive Director

Mr. Li Guiping *(Chief Executive Officer and President)*

Non-executive Directors

Mr. Mai Boliang *(Chairman)*
Mr. Liu Dong
Mr. Chen Bo
Ms. Zeng Beihua
Mr. Wang Yu

Independent non-executive Directors

Mr. Feng Jinhua
Mr. Fan Zhaoping
Mr. Cheng Hok Kai Frederick

Supervisors

Mr. Liu Zhenhuan *(Chairman)*
Mr. Liu Hongqing
Mr. Li Xiaofu

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

With effect from November 1, 2019, Mr. Cheng Hok Kai Frederick resigned as a director of Sanai Health Industry Group Company Limited.

Save as disclosed in this report, during the year, there were no changes in information of Directors which is subject to disclosure and have been disclosed under the paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All incumbent Directors have entered into service contracts with the Company for a term of three years commencing from their respective appointment date and shall be terminated pursuant to relevant terms of respective contracts.

As at the date of this annual report, other than statutory compensation, none of the Directors and Supervisors of the Company had entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation.

INTERESTS IN CONTRACTS OF SIGNIFICANCE OF DIRECTORS AND SUPERVISORS

During the Relevant Period, none of the Directors and Supervisors was materially interested, directly or indirectly, in any contracts of significance entered into with the Company or its controlling companies or its subsidiaries or subsidiaries of its controlling companies subsisting as at the end of the year.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

During the Relevant Period, none of the Directors was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

MANAGEMENT CONTRACTS

During the year, the Company did not enter into any contracts with respect to the management or administration of all or any substantial part of its businesses.

PERMITTED INDEMNITY PROVISION

During the year, the Company has purchased liability insurance valid for the Year for Directors, Supervisors and senior management of the Company.

THE BOARD AND BOARD COMMITTEES

Details of the Board and Board committees are set out in the section headed "Corporate Governance Report" in this report.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code. Details of the convening of meetings of the Audit Committee are set out in the section headed "Corporate Governance Report" in this report.

MAJOR LITIGATION AND ARBITRATION

As disclosed in the Prospectus, in October 2016, Ping An Bank Co., Ltd., Chengdu Branch, ("**Ping An Bank**") filed a lawsuit with Chengdu Intermediate People's Court claiming a contract dispute against our subsidiary, Sichuan CIMC Vehicle Logistics Equipment Co., Ltd. (四川中集車輛物流裝備有限公司) ("**Sichuan CIMC**"). Ping An Bank alleged that Sichuan CIMC was obliged to return the purchase consideration under a series of contracts entered into among Sichuan CIMC, a third-party merchant and Ping An Bank, pursuant to which the merchant agreed to purchase vehicles from Sichuan CIMC with bank acceptance notes from Ping An Bank and to provide performance bonds to Ping An Bank at the same time. As the third party did not provide a sufficient amount of performance bonds to Ping An Bank in accordance with the terms, Ping An Bank filed a lawsuit against Sichuan CIMC for refund of the payment made to Sichuan CIMC. In July 2017, the court entered into a default judgment against Sichuan CIMC ordering Sichuan CIMC to return the purchase consideration of RMB34.5 million, together with interest accrued thereon and other related expenses. On November 23, 2018, the Sichuan Higher People's Court ordered a retrial and suspend the execution of the original judgment, based upon the findings that certain key evidence may have been forged, and the service of process against Sichuan CIMC was invalid.

After consultations with Sichuan CIMC's defense counsel, the Company believed that this pending legal proceeding would not result in a material adverse effect on the Group's business, financial condition and results of operations, even if the relevant court in Chengdu issues an unfavorable judgment against Sichuan CIMC, in consideration that (i) Sichuan CIMC is a limited liability company, and the Company, as the sole shareholder of Sichuan CIMC, would only be responsible for its debts to the extent of the Company's capital contribution in Sichuan CIMC of RMB5.0 million, and (ii) as of June 30, 2019, Sichuan CIMC was dormant and had a deficit net worth, and, should the court issue a favorable ruling to Ping An Bank, Sichuan CIMC could only be put into liquidation procedures, under which the proceeds from the liquidation of its total assets would be distributed to repay its creditors, including Ping An Bank, according to the priority of creditors' claims. There were no legal proceedings pending or threatened against the Company or the Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

As of December 31, 2019, no final judgment or decision was made by the court for this outstanding proceeding.

So far as the Directors of the Company are aware, save as the litigation as disclosed in the Prospectus and the abovementioned litigation, the Company was not engaged in any material litigation, arbitration or claim, and no litigation or claim of material importance was pending or threatened against the Company during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would require the Company to offer new Shares to existing Shareholders on a pro-rata basis.

AUDITOR

The consolidated financial statements for the year ended December 31, 2019 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers, the auditor of the Company, will retire at the forthcoming 2019 AGM of the Company. Based on the results of the open tendering process of the Company, after obtaining the recommendation from the Audit Committee, the Board has resolved the proposed appointment of PricewaterhouseCoopers as the auditor of the Company for the year 2020. The proposed appointment is subject to Shareholders' approval at the general meeting. The term of service of PricewaterhouseCoopers is proposed to commence from the date of Shareholders' approval at the 2019 AGM up to the date of next annual general meeting of the Company.

The Company has not changed the auditor in the past three years.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Group's significant events occurred after the Reporting Period up to date of printing this report are set out in the section headed "Management Discussion and Analysis" of this annual report.

FUTURE DEVELOPMENTS OF THE GROUP

The future developments of the Group are set out the section headed "Management Discussion and Analysis" in this annual report.

2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report as required by Appendix 27 of the Listing Rules is expected to be published separately by the Company before July 28, 2020.

By order of the Board
Chairman
Mai Boliang

Shenzhen, the PRC, March 25, 2020

REPORT OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee conducted its work with the spirit of holding itself accountable to all Shareholders and duly performed its various duties and obligations. All members of the Supervisory Committee participated in the discussion in respect of the major operation decisions of the Company, and supervised the financial conditions and lawful operation of the Company and performance of directors and senior management according to law, through attending supervisory meetings in accordance with the Company Law of the People's Republic of China, the Securities Law, the Listing Rules and other laws and regulations and the requirements of the Articles of Association, which enhanced the internal control and standardised operation of the Company.

I. COMPOSITION OF THE SUPERVISORY COMMITTEE

As at December 31, 2019, the Supervisory Committee of the Company consists of three members, including one employee representative Supervisor and two Shareholder representative Supervisors. According to the requirements of the Articles of Association of the Company, each Supervisor shall serve for a term of three years, which term is renewable upon reelection and reappointment.

The composition of the Supervisory Committee is as follows:

Name	Position	Date of appointment	Principal roles and responsibilities
Mr. Liu Zhenhuan	Chairman of the Supervisory Committee, shareholder representative Supervisor	August 15, 2011	Chairing meetings of the Supervisory Committee, supervising the operating and financial activities of the Group
Mr. Liu Hongqing	employee representative Supervisor	October 28, 2014	Supervising the operating and financial activities of the Group
Mr. Li Xiaofu	Shareholder representative Supervisor	December 7, 2018	Supervising the operating and financial activities of the Group

II. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2019

In 2019, members of the Supervisory Committee strengthened the coordination and cooperation between the Board and senior management with the spirit of holding itself accountable to all Shareholders, duly performed its supervision duties, gave well play to the role of the Supervisory Committee, facilitated the standardized operation and healthy development of the Company, and effectively safeguarded the interests of the Company and its Shareholders.

1. Convening the meeting of the Supervisory Committee according to law and duly performing the duties of the Supervisory Committee

In 2019, the Supervisory Committee convened one meeting of the Supervisory Committee with the details as follows:

1. The first meeting of the first session of the Supervisory Committee was held on June 18, 2019, at which the following resolutions were considered and approved:

(1) 2018 Financial Final Account Report and 2019 Financial Budget Report of the Group

(2) Resolution Regarding the Appointment of Auditors of the Company for 2019

2. Supervising the Performance of Duties of Directors and Senior Management of the Company

In 2019, the Supervisory Committee supervised the performance of duties of Directors and senior management of the Company through attending Board meetings, reviewing the resolutions of Board meetings and examining the daily operation and management of the Company.

3. Supervising the Financial Position of the Company

The Supervisory Committee supervised and audited the financial position and financial results of the Company, and reviewed the financial report of the year 2018 and the interim financial report of the year 2019.

4. Supervising the Continuing Connected Transactions of the Company

In 2019, members of the Supervisory Committee supervised the annual caps of continuing connected transactions through attending meetings of the Supervisory Committee.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

1. Operation in accordance with law

In 2019, the Company insisted on operating in accordance with laws and regulations, and its decision-making procedures were in compliance with the relevant provisions of laws, regulations and the Articles of Association. The Directors and senior management duly performed their duties, and no acts were found to be in violation of laws, regulations and Articles of Association or damage the interests of the Company when the Supervisory Committee performing its duties.

2. Financial conditions

The Supervisory Committee believed that the Company had a sound financial system, standardized financial operations and healthy financial position. The financial report of the Company gave a true and objective view of its financial position and operating conditions.

3. Evaluation results of the performance of duties of Directors and Senior Management

The Supervisory Committee believed that Directors and senior management of the Company abided by the laws and disciplines, fulfilled their duties, were pragmatic and dedicated to their work, and performed their duties diligently and dully, and the decision-making procedures were legal.

4. Continuing connected transactions

In 2019, the continuing connected transactions of the Company were in line with commercial principles and the Supervisory Committee was not aware of any circumstances which were prejudicial to the interests of the Company. The resolution, voting, disclosure and performance of the continuing connected transactions were in compliance with relevant provisions of laws, regulations and the Articles of Association.

IV. KEY WORK PLAN OF 2020

The Supervisory Committee will earnestly abide by the relevant requirements of laws, regulations, Articles of Association and rules of procedures the Supervisory Committee of the Company to carry out the daily resolutions of the Supervisory Committee and perform their duties diligently and duly, including (1) convening the meeting of the Supervisory Committee according to the actual situation of the Company and getting well prepared for the review of various resolutions; (2) examinating the financial condition of the Company, supervising the financial operations of the Company by regularly understanding and reviewing financial reports to prevent operational risks; and (3) working diligently, actively attending important meetings such as Board meetings and general meetings, and participating in the decision-making process of major issues to effectively safeguard the interests of the Company and its shareholders.

Independent Auditor's Report
To the Shareholders of CIMC Vehicles Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of CIMC Vehicles Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 115 to 261, which comprise:

- the consolidated balance sheet as of December 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of trade receivables
- Impairment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to Note 2.13.4 of accounting policy of Impairment of financial assets, Note 4(a) – "Critical accounting estimates and judgments" and Note 24 – "Trade and bill receivables" to the consolidated financial statements. As of December 31, 2019, the Group's trade receivables were amounted to Renminbi ("RMB") 2,412,351,000 before the allowance for impairment of RMB121,618,000. Loss allowances for trade receivables are determined based on management's assessment on the lifetime expected credit losses of trade receivables (the "ECL assessment"). For the ECL assessment, the management estimated the expected credit losses to be incurred by considering the historical credit loss rates, past collection information and aging profiles of trade receivables, with an adjustment to reflect both the current conditions and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (the "forward-looking factors"). We focused on this area due to the significance of the trade receivables balance and the significant management's judgements and estimates involved in the ECL assessment.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and validated the relevant controls over credit risk assessment, debt collection and the ECL assessment; (ii) Obtained management's worksheets of ECL calculations and tested the mathematical accuracy of the calculations; (iii) Evaluated the reliability of the key data inputs in the ECL calculations (including historical credit loss rates, past collection information and aging profiles of trade receivables) by comparing them, on a sample basis, to the underlying financial records and supporting documents; and (iv) Understood and evaluated the management's process in identifying the relevant forward-looking factors (including GDP growth rates and inflation rates etc.) and evaluated the reasonableness of management's estimation on the expected changes in these forward-looking factors by comparing them to the information as obtained from our independent research. Based on our work performed, we found that management's judgements and estimates used in the ECL assessment of trade receivables were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill Refer to Note 2.12 of accounting policy of impairment of non-financial assets, Note 4(b) – "Critical accounting estimates and judgments" and Note 19 – "Intangible assets" to the consolidated financial statements. As of December 31, 2019, the carrying amounts of goodwill arising from acquisitions in prior years amounted to RMB436,370,000 which is net of the impairment provision of RMB22,236,000. Management has performed impairment assessments to determine the recoverable amounts of the goodwill at the balance sheet date. The recoverable amounts of the goodwill is determined based on fair value less costs of disposal or value-in-use calculations (whichever is the higher), using the discounted cash flow model. These calculations involved significant management's judgements and estimates in determining the appropriate key assumptions (including future revenue growth rates, gross profit rates, terminal revenue growth rates and pre-tax discount rates) used in the impairment assessment. We focused on this area due to the significant management judgements and estimates were involved in the impairment assessment.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and validated the relevant controls over management's goodwill impairment assessment, including the adoption of valuation models and key assumptions and the review and approval of impairment charge; (ii) Obtained management's worksheets for the calculations of the recoverable amounts of goodwill and tested the mathematical accuracy of the calculation; (iii) We compared the historical actual results to prior year budgets and forecasts to assess whether there are management bias in the process; (iv) We evaluated the key assumptions used in the calculations with the involvement of our in-house valuation experts, which were future revenue growth rates, gross profit rates, terminal revenue rates and pre-tax discount rates. When evaluating these key assumptions, we considered market developments, long-term expected inflation rates based on our independent research, and compared the pre-tax discount rate to the cost of capital of the Company and comparable entities; and (v) Evaluated the sensitivity analysis prepared by management on the key assumptions, and assessed the potential impact of a range of possible outcomes. Based on our work performed, we found that management's key estimates and assumptions as adopted in the goodwill impairment assessments were supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 25, 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*6*	**23,220,206**	24,168,174
Cost of sales	*9*	**(20,235,437)**	(21,008,866)
Gross profit		**2,984,769**	3,159,308
Selling and distribution expenses	*9*	**(596,778)**	(574,043)
Administrative expenses	*9*	**(1,300,427)**	(1,220,608)
Net impairment losses reversal on financial assets and financial guarantee contracts		**1,181**	16,284
Other income	*7*	**367,747**	157,968
Other gains – net	*8*	**129,383**	82,470
Operating profit		**1,585,875**	1,621,379
Finance income	*11*	**104,777**	85,695
Finance costs	*11*	**(132,946)**	(160,095)
Finance costs – net		**(28,169)**	(74,400)
Share of net profit of associates and joint ventures	*22*	**13,037**	5,775
Profit before income tax		**1,570,743**	1,552,754
Income tax expense	*12*	**(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	*13*	**0.75**	0.76

The notes on pages 123 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended December 31,	
		2019	2018
	Note	***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

The notes on pages 123 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2019

	Note	As of December 31, 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	–	598,492
Property, plant and equipment	16	**4,016,070**	3,445,718
Right-of-use for land use rights	18	**746,961**	–
Right-of-use assets	18	**136,938**	–
Investment properties	17	**382,659**	392,052
Intangible assets	19	**554,772**	547,440
Investments accounted for using the equity method	22	**252,287**	230,882
Deferred tax assets	36	**169,667**	164,621
Other non-current assets		**59,178**	42,781
		6,318,532	5,421,986
Current assets			
Inventories	23	**3,829,425**	3,582,330
Tax recoverable		**117,581**	125,309
Other current assets		**12,227**	12,535
Contract costs	6(b)	**10,668**	10,930
Trade and bill receivables	24	**2,304,107**	3,567,428
Prepayments and other receivables	25	**650,331**	706,831
Loans to related parties		–	174,846
Financial assets at fair value through profit or loss	26	**215,255**	–
Financial assets at fair value through other comprehensive income	26	**1,059,722**	–
Derivative financial instruments		**778**	3,496
Restricted cash	27(b)	**278,780**	140,098
Cash and cash equivalents	27(a)	**3,791,161**	2,616,979
		12,270,035	10,940,782
Assets held for sale	28	**92,517**	197,874
		12,362,552	11,138,656
Total assets		**18,681,084**	16,560,642

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2019

	Note	As of December 31, 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	**88,500**	310,604
Lease liabilities	18	**96,031**	–
Deferred income	35	**25,659**	22,607
Long-term payables		**562**	470
Deferred tax liabilities	36	**128,483**	133,620
		339,235	467,301
Current liabilities			
Trade and bill payables	32	**3,617,559**	3,066,537
Other payables and accruals	33	**2,001,109**	1,876,189
Contract liabilities	6(b)	**524,557**	586,801
Borrowings	31	**1,566,176**	1,980,645
Lease liabilities	18	**27,276**	–
Income tax liabilities		**117,124**	103,204
Derivative financial instruments		**–**	376
Provisions	34	**125,417**	132,818
Deferred income	35	**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	29	**1,765,000**	1,500,000
Reserves	30	**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

The notes on pages 123 to 261 form an integral part of these consolidated financial statements.

The financial statements on pages 115 to 261 were approved by the Board of Directors on March 25, 2020 and were signed on its behalf.

Mai Boliang	**Li Guiping**
Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to equity owners of the Company					
	Note	Paid-in capital/ share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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	*30*	–	53,950	–	53,950	567	54,517
Cash flow hedges	*30*	–	(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	*30(a)*	–	(14,357)	(1,885)	(16,242)	52,181	35,939
Acquisition of additional interest in a subsidiary	*30(b)*	–	(8,163)	–	(8,163)	(32,912)	(41,075)
Profit appropriation to enterprise expansion fund/statutory surplus reserve	*30(c)*	–	369,491	(369,491)	–	–	–
Transfer out of revaluation gain on properties	*30(d)*	–	(52,662)	52,662	–	–	–
Shares issued upon capitalization of reserves	*29(b)*	17,339	594,745	(612,084)	–	–	–
Dividend paid	*14*	–	–	(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

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to equity owners of the Company					
		Share capital RMB'000	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	*30*	–	60,311	–	60,311	1,368	61,679
Cash flow hedges	*30*	–	(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")	*30(e)*	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	*40*	–	(6,986)	–	(6,986)	(81,840)	(88,826)
Transfer of statutory surplus reserves	*30(f)*	–	105,143	(105,143)	–	–	–
Dividend paid	*14*	–	–	(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

The notes on pages 123 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**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	39	**–**	(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	41	**–**	(22,500)
Repayment of loans by related parties	41	**174,846**	162,300
Interest received from related parties	41	**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

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**Year ended December 31,**	
		2019	2018
		RMB'000	*RMB'000*
Cash flows from financing activities			
Proceeds of borrowings from related parties	*41,37(c)*	**31,700**	1,047,707
Repayment of borrowings from related parties	*31,37(c)*	**(931,765)**	(1,937,599)
Interest expenses paid to related parties	*37(c)*	**(8,362)**	(112,361)
Proceeds from bank borrowings	*37(c)*	**1,829,733**	1,430,400
Repayment of bank borrowings	*37(c)*	**(1,466,129)**	(860,149)
Interest expenses for bank borrowings	*37(c)*	**(120,056)**	(76,826)
Proceeds from issue of ordinary shares	*30(e)*	**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	*14*	**(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

The notes on pages 123 to 261 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 of Hong Kong Limited 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 is established in PRC and 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.

These consolidated financial statements for the year ended December 31, 2019 is presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 25, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(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 these 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. The new accounting policies are disclosed in Note 2.29.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(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**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(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

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(a) *Business combination not under common control*

The Group applies the acquisition method to account for business combinations other than those which are under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-byacquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation (Continued)

(b) Business combination under common control

The consolidated financial statements incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is earlier.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the year in which it is incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated income statement.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "Share of net profit of associates" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial information only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Joint arrangements

Under IFRS 11 Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer ("CEO") that makes strategic decisions.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within “other gains – net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each consolidated income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to consolidated income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

– Buildings	20 to 30 years
– Machinery and equipment	10 to 12 years
– Motor vehicles	5 years
– Electronic and office equipment	4.5 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses. Cost comprises direct and indirect costs, related to acquisition and installation of the property, plant and equipment, incurred before the asset is substantially ready for its intended use.

Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided for construction in progress.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "other gains – net" in the consolidated income statement.

2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers or management. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Land use right

Land lease prepayments represent payments for land use rights to the PRC authorities. Land use rights are stated at cost less accumulated amortization and impairment losses. Amortization is charged to consolidated income statement on a straight-line basis over the respective periods of the rights. Land use rights have been reclassified to right-of-use assets upon the adoption of IFRS16 from January 1, 2019.

2.11 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Patents and trademarks

Separately acquired patents and trademarks are shown at historical cost and are amortized on straight-line basis over the estimated useful lives of 5 to 10 years as stipulated by the relevant contracts or laws.

Trademarks acquired in several business combinations are recognized at fair value at the acquisition date. Amortization is calculated using straight-line basis over the estimated useful lives of 5 to 10 years, which were determined based on various factors including (i) the acquiree's reputation and market position; and (ii) the historical and expected profitability generated from the use of the trade names.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Intangible assets *(Continued)*

(c) Software

Acquired computer software stated at historical cost less amortization. Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and are amortized on a straight-line basis over their useful lives, about 5 to 10 years.

(d) Customer relationships

Customer relationships acquired in several business combinations are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line basis over the estimated useful lives of 5 to 10 years, which were determined based on various factors including (i) historical and expected sales of the acquiree with the customers; (ii) projected revenues contributed from the customers after considering the estimated attrition rate; and (iii) contracts periods and life cycle of the relevant products.

(e) Customer contracts

Customer contracts are amortized on a straight-line basis over the period of 9 months.

(f) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the intangible assets so that it will be available for use
- management intend to complete the intangible assets and use or sell it
- there is an ability to use or sell the intangible assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Intangible assets *(Continued)*

(f) Research and development expenditures *(Continued)*

- it can be demonstrated how the intangible assets will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available, and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

Capitalized development costs are recorded as intangible assets and amortization from the point at which the asset is ready for use on a straight-line basis over its estimated useful life. Other development costs expenditures that do not meet these criteria are recognized as an expense as included, development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

Each of patents and trademarks, software, customer relationships and customer contracts has a useful life of 5 to 10 years, 5 years, 5 to 10 years and 9 months, respectively. When determining the length of useful life of an intangible asset, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

2.12 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 21 for details about each type of financial assets.

The Group reclassifies debts investments when and only when its business model for managing those assets changes.

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in consolidated income statement and presented in "other gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to consolidated income statement and recognized in "other gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.3 Measurement *(Continued)*

Debt instruments (Continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in consolidated income statement and presented net in the consolidated income statement within "other gains – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statement as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial asset at fair value through profit or loss are recognized in "fair value gains on financial asset at fair value through profit or loss" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

The Group has following types of assets that are subject to the expected credit loss model:

- trade and bill receivables for sales of inventory and from the provision of services; and

- other financial assets at amortized cost such as amount due from related parties and other receivables.

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade and bill receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Derivatives and hedging activities *(Continued)*

Cash flow hedge that qualify for hedge accounting

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognized within other comprehensive income in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in "other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, assembly cost and other direct costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion, applicable variable selling expense and related tax.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bill receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2.13 and Note 3.1(b).

2.18 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less.

2.19 Share capital

Paid-in capital/ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.22 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

Salaries, annual bonuses, paid annual leave, contribution to defined contribution plan and the cost of non-monetary benefits are accrued in the year in which the associated service are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts would be stated at their present value.

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expenses as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

2.26 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or nonoccurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition

The Group principally derives revenue from sales of products and provision of services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

The accounting policy for the Group's principal revenue sources are shown as below.

(a) Sales of goods

The Group produces an extensive range of semi-trailers and truck bodies, and sells them to customers at different locations.

Revenue from the sales of goods directly to customers, is recognized at a point in time when control of the goods has been transferred, being when the products are delivered to customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The vehicles are often sold to distributors with rebates based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected rebates payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered to customers and customers accept the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group recognize the sales commission of obtaining a contract as an expense as incurred by using the practical expedient as the amortization period of the asset related to sales commission that the Group would have recognized is generally one year or less.

Shipping costs incurred directly attributable to fulfill a contract, if recoverable, are capitalized and recorded in contract costs. Contract costs related to shipping are usually recognized in cost of sales at same time of revenue recognition with control of goods transferred to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

(a) Sales of goods *(Continued)*

The Group provides after-sales repair warranty to customers who purchased transport vehicles. The Group, in accordance with contracts, undertakes warranty responsibilities for these transport vehicles in the event of any non-accidental breakdown or quality problems from 6 months to 5 years after sales. Provision for product warranties is made based on the Group's estimated obligation for such warranties in respect of products sold.

The payment term are stipulated in relevant contracts. The Group's trading term with its customers are normally on cash or credit. The credit period offered by the Group ranges from 30 days to 180 days after the Group delivers the goods and accepted by customers. The Group may require deposits or advance payments according to their credit position.

(b) Rendering of services

The Group mainly provides vehicle related repairing and replacement service and vehicle related consulting service. Revenue from rendering of services is measured at the fair value of the consideration received or receivable under the contract or agreement.

Revenue for rendering of vehicle related repairing and replacement service and vehicle related consulting service is recognized over time when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Services fee are received mainly on cash upon completion of service.

2.28 Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognized in the consolidated income statement over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment, and other non-current assets are included in non-current liabilities as deferred income and are credited to consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until December 31, 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 38(b)). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases *(Continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30 Dividend Distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Interest income

Interest income is recognized using the effective interest method.

2.32 Dividend income

Dividends are recognized as revenue when the right to receive payment is established.

2.33 Financial guarantee contracts

Financial guarantee contacts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9, "Financial Instruments"; and

- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.34 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and minimizes these exposures through entering into forward and swap foreign exchange contracts.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

Assets	As of December 31, 2019						
	United States Dollars ("USD")	Euro ("EUR")	Hong Kong Dollars ("HKD")	Great Britain Pound ("GBP")	Japanese Yen ("JPY")	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	123,180	19,173	1,455,541	1,215	28,323	256	1,627,688
Trade receivables	200,936	11,404	260	3	–	–	212,603
Other receivables	8,684	–	–	–	–	12,894	21,578
Financial assets at fair value through profit or loss	–	–	135,149	–	–	–	135,149
Total	332,800	30,577	1,590,950	1,218	28,323	13,150	1,997,018

Liabilities	As of December 31, 2019						
	USD	EUR	HKD	GBP	JPY	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	155,918	55,881	–	328,489	–	5,031	545,319
Trade payables	89,923	3,825	200	8	1,049	–	95,005
Other payables	70,803	23,073	–	–	–	629	94,505
Total	316,644	82,779	200	328,497	1,049	5,660	734,829

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) ***Market risk*** *(Continued)*

(i) *Foreign exchange risk (Continued)*

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

Assets	As of December 31, 2018				
	USD	EUR	HKD	JPY	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	349,664	3,070	–	16,560	369,294
Trade receivables	383,349	23,076	1,827	14,168	422,420
Other receivables	6,649	2,069	–	–	8,718
Total	739,662	28,215	1,827	30,728	800,432

Liabilities	As of December 31, 2018				
	USD	EUR	HKD	JPY	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	193,761	3,012	303	–	197,076
Other payables	22,724	23,494	–	–	46,218
Total	216,485	26,506	303	–	243,294

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 2.5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 2.5% change in foreign currency rates. Should RMB strengthened/weakened by 2.5% against the relevant currencies, the effect on post-tax profit during the year ended December 31, 2019 and 2018 would be as follows:

	Change of post-tax profit (decrease)/increase Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB against USD:		
Strengthened by 2.5%	**(345)**	(9,810)
Weakened by 2.5%	**345**	9,810
RMB against EUR:		
Strengthened by 2.5%	**989**	(32)
Weakened by 2.5%	**(989)**	32
RMB against HKD:		
Strengthened by 2.5%	**(29,833)**	(29)
Weakened by 2.5%	**29,833**	29
RMB against GBP:		
Strengthened by 2.5%	**6,136**	–
Weakened by 2.5%	**(6,136)**	–
RMB against JPY:		
Strengthened by 2.5%	**(580)**	(576)
Weakened by 2.5%	**580**	576

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group's interest rate risk primarily arises from interest-bearing bank deposits, loans to related parties and borrowings with floating and fixed rates. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has used interest rate and currency swap arrangements to mitigate floating investment rate exposure from long-term borrowing.

The Group's interest rate profile as monitored by management is set out as below.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Financial instruments with floating rate		
Financial assets	**4,069,941**	2,757,077
Financial liabilities	**(1,115,311)**	(1,036,359)
	2,954,630	1,720,718
Financial instruments with fixed rate		
Financial liabilities	**(662,672)**	(1,254,890)

If the interest rates of financial instruments with floating rate had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the year ended December 31, 2019 would have been higher/lower by RMB11,649,000 (December 31, 2018: RMB6,453,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade and bill receivables, other receivables, fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVPL) and financial guarantee contracts issued. Except for financial guarantee contracts, the carrying amounts of each class of the above financial instruments represent the Group's maximum exposure to credit risk in relation to these financial instruments.

Credit risk of cash and cash equivalents and restricted cash

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. The expected credit loss is close to zero.

Credit risk of trade receivables

To manage risk arising from trade receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before December 31, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP growth rates and inflation rates of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

Credit risk of trade receivables (Continued)

During the year ended December 31, 2019 and 2018, the expected credit losses rate of trade receivables from third parties are determined as follows:

December 31, 2019	**Current**	**Up to 1 year past due**	**1 to 2 year past due**	**2 to 3 year past due**	**Over 3 year past due**
Expected loss rate	**2%**	**4%**	**16%**	**57%**	**88%**
Gross carrying amount	**1,576,749**	**739,866**	**25,733**	**17,441**	**52,562**
Loss allowance	**30,743**	**30,280**	**4,239**	**9,973**	**46,383**

December 31, 2018	Current	Up to 1 year past due	1 to 2 year past due	2 to 3 year past due	Over 3 year past due
Expected loss rate	3%	5%	24%	59%	89%
Gross carrying amount	2,123,245	548,973	46,416	34,619	32,254
Loss allowance	53,382	27,449	11,140	20,425	28,706

Credit risk of bill receivables

Bill receivables mainly represent bank acceptance bills. The maturity of these bills usually is 3 months or 6 months. These bills are mainly issued by state-owned or reputable financial institutions in the PRC. The expected credit loss is close to zero.

Credit risk of other receivables and financial guarantee contracts

Other receivables are mainly rental and other deposits, disbursement of vehicle mortgage loans, refundable tax and receivables from staffs and third parties. The Group arranges bank financing for certain purchasers of the Group's vehicles and provides guarantees to secure obligations of such purchasers for repayments.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

Credit risk of other receivables and financial guarantee contracts (Continued)

The Group considers the probability of default upon initial recognition of assets or issue of the financial guarantee contracts and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

- actual or expected significant changes in the operating results of the debtor/customer;

- significant increases in credit risk on other financial instruments of the same customer;

- significant changes in the expected performance and behavior of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded. A default is when the counterparty fails to make contractual payments/repayable demanded within 60 days of when they fail due.

As of December 31, 2019 and 2018, rental and other deposits, refundable tax and loans to related parties are considered to have low credit risk. Thus they were categorized in stage 1, and the impairment provision recognized during the years was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognized during the year ended December 31, 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) *Credit risk* *(Continued)*

Credit risk of other receivables and financial guarantee contracts (Continued)

Expected credit loss for the financial guarantee contracts has been taken into account the Group's recent claim experience and supportive forwarding-looking information. If a customer defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. As of December 31, 2019 and 2018, certain customers failed for repayment. The Group had to repay the principals and interests of the loans to the banks on behalf of these customers (referred to as "disbursements of vehicle mortgage loans"). The Group made provision for these receivables ("Underperforming receivables").

Other receivables	Basis for recognition of expected credit loss provision	Estimated gross amount at default as of December 31, 2019 RMB'000	Estimated gross amount at default as of December 31, 2018 RMB'000	Carrying amount (net of impairment provision) as of December 31, 2019 RMB'000	Carrying amount (net of impairment provision) as of December 31, 2018 RMB'000
Underperforming receivables	Life time expected losses	**48,460**	55,287	**11,635**	20,929
Performing receivables – other receivables from staff and third parties and others	12 months expected losses	**127,679**	159,929	**123,947**	132,157
		176,139	215,216	**135,582**	153,086

Write-off policy

The Group writes off trade and other receivables, in whole or in part, when it was exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include bankrupt, termination or the expected cost significantly greater than the carrying amount of account receivable. The Group may write off trade receivables that are still subject to enforcement activity. Where recoveries are made, these are recognized in consolidated income statement.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalent. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
As of December 31, 2019				
Borrowings (i)	**1,637,254**	**93,124**	**–**	**1,730,378**
Trade and bill payables	**3,617,559**	**–**	**–**	**3,617,559**
Lease liabilities	**28,349**	**13,609**	**86,581**	**128,539**
Other payables and accruals	**739,661**	**–**	**–**	**739,661**
Financial guarantee contracts issued	**230,303**	**706,400**	**849,323**	**1,786,026**
Total	**6,253,126**	**813,133**	**935,904**	**8,002,163**
As of December 31, 2018				
Derivative financial instruments	376	–	–	376
Borrowings (i)	2,053,565	18,826	316,480	2,388,871
Trade and bill payables	3,066,537	–	–	3,066,537
Other payables and accruals	812,562	–	–	812,562
Financial guarantee contracts issued	180,322	602,049	471,139	1,253,510
Total	6,113,362	620,875	787,619	7,521,856

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

(i) Loan covenants

Under the terms of the major borrowing facilities, CIMC Vehicle (Jiangmen) Co., Ltd., a subsidiary of the Group is required to comply with the following financial covenants:

- the debt-asset ratio must be not more than 75% for three consecutive months;
- the current ratio must not be less than 0.8 for three consecutive months;and
- the net profit must not be negative for three consecutive months.

CIMC Vehicle (Jiangmen) Co., Ltd. has complied with these covenants throughout the reporting period. As at December 31, 2019, the debt-asset ratio and the current ratio of the subsidiary were 54% and 1.52 respectively. The subsidiary continued to satisfy the net profit requirement throughout 2019.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of debt-asset ratio. This ratio is calculated as total liabilities divided by total assets.

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Total liabilities	**8,460,410**	8,612,933
Total assets	**18,681,084**	16,560,642
Debt-asset ratio	**45%**	52%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2019 and 2018.

As of December 31, 2019	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets:				
Derivative financial instruments	**–**	**778**	**–**	**778**
Financial assets at fair value through profit or loss	**–**	**80,107**	**135,148**	**215,255**
Financial assets at fair value through other comprehensive income	**–**	**–**	**1,059,722**	**1,059,722**
	–	**80,885**	**1,194,870**	**1,275,755**

As of December 31, 2018	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets:				
Derivative financial instruments	–	3,496	–	3,496
Liabilities:				
Derivative financial instruments	–	376	–	376

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(b) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the financial instruments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and cost approach etc.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(c) Financial asset at fair value through profit or loss

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Fair value as of December 31, 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs as of December 31, 2019
Financial asset at fair value through profit or loss	135,148	Discounted cash flow using the expected rate of return	Expected rate of return	5.5%

The relationship between unobservable input and fair value:

- The higher the expected rate of return, the higher the fair value

The following table presents the changes in level 3 instruments of financial asset at fair value through profit or loss for the year ended December 31, 2019 and 2018.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**–**	408,000
Addition	**116,451**	–
Changes in fair value	**18,471**	11,850
Disposal	**–**	(419,850)
Currency translation differences	**226**	–
At the end of the year	**135,148**	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(d) Investment properties

The details of investment properties carried at fair value are set out in Note 17.

During the year ended December 31, 2019 and 2018, there is no transfer between level 2 and 3 of fair value hierarchy classification.

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, trade and bill receivables, other receivables and loans to related parties and the Group's financial liabilities, including borrowings, trade and bill payables, other payables and other current liabilities, approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Expected credit loss for receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b), Note 24 and Note 25. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Impairment of goodwill

Goodwill is tested for impairment annually in accordance with the accounting policy stated in Note 2.12.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement. The details of the calculation and estimates used and the sensitivity analysis of the estimates are set out in Note 19(a).

(c) Impairment for inventories

The Group assesses periodically if cost of inventories may not be recoverable based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories, the net realizable value has been determined based on the contracted selling price to be recognized upon the completion of the contract costs less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the year in which such estimate changes.

(d) Estimation of fair value of investment properties

The Group recognized the fair value of the investment properties based on the valuation assessed by the independent professional valuer or management by using valuation techniques. To assess the fair value of investment properties, as stated in Note 17, several significant judgments and assumptions are used.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Income taxes and deferred taxations

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(f) Product warranties

As described in Note 2.26, the Group makes provisions under the warranties it gives on the sales of its transport vehicles to consumers based on the recent claim experience. Because it is possible that the recent claim experience may not be indicative of future claims that the Group will receive in respect of past sales, a considerable level of management's judgment is required and exercised to estimate the provision. Any increase or decrease in the provision will affect profit or loss in future years.

(g) Expected credit loss of financial guarantee contracts for vehicle mortgage loans

According to the requirements in the financial guarantee contracts related to the financial guarantee services provided to the customers, the Group, as the financial guarantor, shall fulfill obligation or take responsibility as agreed if the debtor fails to fulfill obligation, which is subsequently measured at the higher of the amount initially recognized less expected credit loss and the amount, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. The provision for financial guarantee contracts is base on an assumption about the expected losses. The Group uses judgment in making these assumptions and selecting the inputs to the provision calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

The Group's business activities, for which discrete consolidated financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the 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 liability 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

5 SEGMENT INFORMATION *(Continued)*

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

	Year ended December 31, 2018				
	China *RMB'000*	North America *RMB'000*	Europe *RMB'000*	Other regions *RMB'000*	Total *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

Segment gross profit reconciles to profit for the year as follows:

	Year ended December 31,	
	2019 ***RMB'000***	2018 *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 was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

(a) Disaggregation of 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

(b) Assets and liabilities related to contracts with customers

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current costs recognized for costs incurred to fulfill a contract – sales of vehicles (i)	**10,668**	10,930
Contract liabilities – sales of vehicles	**524,557**	586,801

(i) Shipping costs incurred directly attributable to executing a sales contract, if recoverable, are capitalized and recorded in contract costs. Contract costs related to shipping are usually recognized in cost of sales at the same time of revenue recognition with control of goods transferred to customers.

6 REVENUE *(Continued)*

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**586,801**	801,236

As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed, because the contracts have an original expected duration of one year or less.

7 OTHER INCOME

	Year ended December 31, 2019 RMB'000	2018 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.

8 OTHER GAINS – NET

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Fair value gains on investment properties *(Note 17)*	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EXPENSES BY NATURE

		Year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Changes in inventories		**(253,548)**	(416,968)
Raw materials and consumables used		**18,439,036**	19,184,615
Employee benefits expenses	*10*	**1,934,813**	1,861,910
Depreciation of property, plant and equipment	*16*	**303,655**	258,035
Amortization of land use rights	*15*	**–**	13,131
Amortization of right-of-use for land use rights	*18*	**21,364**	–
Amortization of right-of-use assets	*18*	**23,873**	–
Amortization of intangible assets	*19*	**21,135**	31,882
Impairment for intangible assets	*19*	**–**	39,698
Impairment for property, plant and equipment	*16*	**–**	10,041
Provision for impairment of inventories	*23*	**22,282**	39,089
Testing fees		**105,378**	74,000
Shipping and handling expenses		**403,777**	564,739
Rentals		**37,282**	45,049
Utilities		**173,465**	167,803
Processing and repair expenses		**201,804**	253,276
Auditor's remuneration			
– Audit services		**5,606**	1,203
– Non-audit services		**35**	75
Taxes and surcharges		**120,567**	131,763
Warranty expenses		**79,750**	91,147
Consultancy and professional service fees		**74,788**	76,854
Entertainment expenses		**62,304**	44,906
Traveling expenses		**91,006**	108,062
Listing expenses		**16,676**	17,511
Other expenses		**247,594**	205,696
Total cost of sales, selling and distribution expenses and administrative expenses		**22,132,642**	22,803,517

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**1,656,489**	1,611,275
Pension costs – defined contribution plans (a)	**101,418**	98,002
Other social security costs, housing benefits and other employee benefits	**176,906**	152,633
	1,934,813	1,861,910

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors', supervisors' and chief executive's emoluments

The directors', supervisors' and chief executive's emoluments for the year ended December 31, 2019 are set out below:

Name	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Pension costs – defined contribution plans, other social security costs, housing benefits, and other employee benefits *RMB'000*	Total *RMB'000*
Directors:					
Mr. Li Guiping (iii)	–	1,560	7,212	82	8,854
Mr. Mai Boliang (iv)	–	–	–	–	–
Ms. Zeng Beihua (iv)	–	–	–	–	–
Mr. Wang Yu (iv)	–	–	–	–	–
Mr. Liu Dong (v)	–	–	–	–	–
Mr. Chen Bo (v)	–	–	–	–	–
Mr. Feng Jinhua	81	–	–	–	81
Mr. Fan Zhaoping	81	–	–	–	81
Mr. Cheng Hok Kai(v)	90	–	–	–	90
Supervisors:					
Mr. Liu Hongqing	–	156	1,977	59	2,192
Mr. Liu Zhenhuan (iv)	–	–	–	–	–
Mr. Li Xiaofu	–	279	1,230	89	1,598
	252	1,995	10,419	230	12,896

The directors', supervisors' and chief executive's emoluments for the year ended December 31, 2018 are set out below:

Name	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Pension costs – defined contribution plans, other social security costs, housing benefits, and other employee benefits *RMB'000*	Total *RMB'000*
Directors:					
Mr. Li Guiping (iii)	–	1,560	6,018	92	7,670
Mr. Mai Boliang (iv)	–	–	–	–	–
Ms. Zeng Beihua (iv)	–	–	–	–	–
Mr. Wang Yu (iv)	–	–	–	–	–
Mr. Liu Dong (v)	–	–	–	–	–
Mr. Chen Bo (v)	–	–	–	–	–
Mr. Feng Jinhua	110	–	–	–	110
Mr. Fan Zhaoping	110	–	–	–	110
Supervisors:					
Mr. Liu Hongqing	–	163	1,437	59	1,659
Mr. Liu Zhenhuan (iv)	–	–	–	–	–
Mr. Li Xiaofu	–	222	1,144	60	1,426
	220	1,945	8,599	211	10,975

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors', supervisors' and chief executive's emoluments *(Continued)*

(i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(ii) Discretionary bonus are determined based on the financial performance of the Group and the performance of each individual.

(iii) Mr. Li Guiping is also the CEO of the Group.

(iv) During the year ended December 31, 2019 and 2018, these directors and supervisor received emoluments from CIMC Group, the ultimate holding company, in connection with their services to the Group. No apportionment of such emoluments has been made as it is considered that it is impracticable to apportion the amounts between the services to the Group and the services to the ultimate holding company.

(v) Mr. Liu Dong, Mr. Chen Bo and Mr. Cheng Hok Kai were appointed as the Company's non-executive directors and independent non-executive director on December 7, 2018 and June 26, 2019, respectively.

(c) Benefits and interests of directors

Except for that was disclosed above, there were no other benefits offered to the directors of the Company.

(d) Directors' retirement and termination benefits

During the year ended December 31, 2019 and 2018, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

No director's termination benefit subsisted at the end of the period or at any time during the year ended December 31, 2019 and 2018.

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the period or at any time during the year ended December 31, 2019 and 2018.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2019 and 2018 include 1 and 1 director whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining 4 and 4 individuals for each of the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**6,653**	4,524
Bonuses	**13,932**	13,126
Housing benefits	**–**	382
Defined contribution plan	**326**	238
Other social security costs	**–**	6
Other employee benefits	**4**	66
	20,915	18,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(h) Five highest paid individuals *(Continued)*

The emoluments of those individuals fell within the following bands:

	Number of individuals Year ended December 31, 2019	2018
RMB3,000,001 to RMB3,500,000	**1**	–
RMB3,500,001 to RMB4,000,000	**–**	2
RMB4,000,001 to RMB4,500,000	**–**	1
RMB4,500,001 to RMB5,000,000	**1**	–
RMB5,000,001 to RMB5,500,000	**1**	–
RMB5,500,001 to RMB6,000,000	**–**	–
RMB6,000,001 to RMB6,500,000	**–**	1
RMB6,500,001 to RMB7,000,000	**–**	–
RMB7,000,001 to RMB7,500,000	**–**	–
RMB7,500,001 to RMB8,000,000	**1**	–
	4	4

11 FINANCE COSTS – NET

	Year ended December 31, 2019 *RMB'000*	2018 *RMB'000*
Finance costs:		
– Interest expense	**128,793**	162,863
– Interest and finance charges payable for lease liabilities	**4,172**	–
Less:		
Amount capitalized	**(19)**	(2,768)
	132,946	160,095
Finance income:		
– Interest income	**(104,777)**	(85,695)
Finance costs, net	**28,169**	74,400

12 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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**1,570,743**	1,552,754
Tax calculated at statutory income tax rate of 25% in the PRC (a)	**392,686**	388,189
Tax effects of		
– Effect of different tax rates in other jurisdictions (b)	**3,902**	8,397
– Preferential income tax rates applicable to subsidiaries (c)	**(130,246)**	(85,629)
– Expenses not deductible for tax purposes	**30,960**	8,605
– Utilization of previously unrecognized tax losses	**(19,546)**	(18,551)
– Tax losses for which no deferred income tax asset was recognized	**17,257**	20,623
– Temporary differences for which no deferred income tax asset was recognized	**1,369**	7,149
– Adjustment on taxation in previous year	**(29,437)**	(4,476)
– Effects of change of tax rate (d)	**390**	21,568
– Research and development expenses bonus deduction (e)	**(19,755)**	(23,284)
– Others	**(3,298)**	(1,839)
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 was 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.

12 INCOME TAX EXPENSE *(Continued)*

(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%.

(c) Preferential EIT rate

Certain subsidiaries of the Group in the PRC are approved as "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.

(d) Effects of change of tax rate

In 2018, the federal tax rate in the United States decreased from 35% in 2017 to 21% in 2018. This change resulted in a gain of RMB3,341,000 relating to re-measurement of the respective net deferred tax liabilities of those subsidiaries located in the United States.

In 2018, Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. and Dongguan CIMC Special Vehicle Co., Ltd., subsidiaries of the Group,were qualified as "high and new technology enterprise". Consequently, the corporate tax rate applied to them was decreased from 25% in 2017 to 15% in 2018. This change resulted in a loss of RMB24,909,000 relating to re-measurement of the respective net deferred tax assets of those subsidiaries.

(e) Research and development expenses bonus deduction

Under the Enterprise Income Tax Law of the PRC and its relevant regulations, 75% additional tax deduction for qualified research and development expense is allowed in 2018 and 2019, besides 80% additional tax deduction for qualified research and development expense incurred on a project paid to an external entrusted party (external entities or personnel) is allowed in 2019 and 2018.

13 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 were no potential diluted ordinary shares outstanding as of December 31, 2019 and 2018.

14 DIVIDENDS

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Dividend payables:		
At the beginning of the year	**–**	721,360
Dividend declared	**400,000**	289,313
Dividend paid	**(400,000)**	(611,703)
Transfer to loans *(Note 41(c))*	**–**	(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 of Directors. The proposed final dividend in respect of 2019 is subject to the approval of shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as it has not been approved as at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LAND USE RIGHTS

	Year ended December 31, 2019 *RMB'000*
At the beginning of the year	
Cost	**723,586**
Amortization of land use rights	**(125,094)**
Reclassified to right-of-use for land use rights *(Note 18)*	**(598,492)**
Closing net book amount	**–**

	Year ended December 31, 2018 *RMB'000*
At the beginning of the year	
Cost	677,399
Amortization of land use rights	(111,963)
Net book amount	565,436
Opening net book amount	565,436
Additions	60,206
Disposal of subsidiaries	(9,912)
Disposals	(4,349)
Currency translation differences	242
Amortization charge	(13,131)
Closing net book amount	598,492
At the beginning of the year	
Cost	723,586
Accumulated amortization	(125,094)
Net book value	598,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2019						
Opening net book amount	**1,735,347**	**1,059,856**	**152,005**	**109,873**	**388,637**	**3,445,718**
Currency translation differences	**14,859**	**6,986**	**302**	**1,278**	**684**	**24,109**
Additions	**91,814**	**137,442**	**37,888**	**37,241**	**572,493**	**876,878**
Transfer from investment properties *(Note 17)*	**11,410**	**–**	**–**	**–**	**–**	**11,410**
Transfer from construction in progress	**114,346**	**312,383**	**36,914**	**32,046**	**(495,689)**	**–**
Transfer to investment properties *(Note 17)*	**(1,700)**	**–**	**–**	**–**	**–**	**(1,700)**
Disposals	**(6,384)**	**(24,743)**	**(4,252)**	**(1,311)**	**–**	**(36,690)**
Depreciation charge	**(85,961)**	**(152,290)**	**(36,431)**	**(28,973)**	**–**	**(303,655)**
Closing net book amount	**1,873,731**	**1,339,634**	**186,426**	**150,154**	**466,125**	**4,016,070**
At December 31, 2019						
Cost	**2,563,400**	**2,633,278**	**296,102**	**345,293**	**466,125**	**6,304,198**
Accumulated depreciation and impairment	**(689,669)**	**(1,293,644)**	**(109,676)**	**(195,139)**	**–**	**(2,288,128)**
Net book amount	**1,873,731**	**1,339,634**	**186,426**	**150,154**	**466,125**	**4,016,070**

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2018						
Opening net book amount	1,759,857	895,011	48,322	69,444	222,568	2,995,202
Currency translation differences	10,315	3,440	50	266	186	14,257
Additions	27,189	135,934	106,301	64,616	435,579	769,619
Business combination *(Note 39)*	454	46,749	671	1,595	5,582	55,051
Transfer from construction in progress	35,497	168,506	33,186	25,377	(262,566)	–
Disposals	(27,740)	(54,808)	(13,125)	(11,950)	(12,712)	(120,335)
Depreciation charge	(68,944)	(130,021)	(23,294)	(35,776)	–	(258,035)
Impairment	(1,281)	(4,955)	(106)	(3,699)	–	(10,041)
Closing net book amount	1,735,347	1,059,856	152,005	109,873	388,637	3,445,718
At December 31, 2018						
Cost	2,374,000	2,243,439	232,576	280,785	388,637	5,519,437
Accumulated depreciation and impairment	(638,653)	(1,183,583)	(80,571)	(170,912)	–	(2,073,719)
Net book amount	1,735,347	1,059,856	152,005	109,873	388,637	3,445,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cost of sales	**229,367**	220,076
Administrative expenses	**66,455**	33,664
Selling and distribution expenses	**7,833**	4,295
	303,655	258,035

As of December 31, 2019, buildings of which the property ownership certificate had not been obtained or property ownership transfer procedures had not been completed were at a net book value of RMB286,185,000 (December 31, 2018: RMB373,154,000). Management is of the opinion that there will be no substantial restrictions to obtain the property ownership certificate and do not expect there will be significant adverse impact on the consolidated financial statements due to that the Group is in the legal process to obtain aforesaid legal titles.

17 INVESTMENT PROPERTIES

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Opening net book amount	**392,052**	694,566
Fair value gains *(Note 8)*	**231**	44,454
Transfer from property, plant and equipment *(Note 16)*	**1,700**	–
Transfer to property, plant and equipment *(Note 16)*	**(11,410)**	–
Disposals of subsidiaries	**–**	(346,949)
Currency translation difference	**86**	(19)
Closing net book amount	**382,659**	392,052

17 INVESTMENT PROPERTIES *(Continued)*

(a) As of December 31, 2019, investment properties of which the ownership certificate was not obtained had a net book value of RMB94,300,000 (December 31, 2018: RMB92,370,000). Management is of the opinion that there will be no substantial restrictions to obtain the property ownership certificate and do not expect there will be significant adverse impact on the consolidated financial statements.

(b) Amounts recognized in consolidated income statements for investment properties

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Rental income	**20,096**	53,538
Direct operating expenses from property that generated rental income	**(7,148)**	(13,829)
Fair value gain recognized in other gains – net *(Note 8)*	**231**	44,454

(c) Valuation techniques used to derive level 3 fair values

Level 3 fair values of the Group's investment properties have been generally derived using income approach. The key assumptions include monthly rental and capitalization rates.

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

(d) Valuation techniques and inputs used in level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorized under Level 3 of the fair value hierarchy:

		Range of unobservable inputs As of December 31,	
Valuation techniques	Unobservable inputs	**2019**	2018
		RMB'000	*RMB'000*
Income approach	Capitalization rate	**6.52%-11.89%**	5%-7%
	Monthly rental (RMB/ square meter/month)	**3-90**	1.9-60

The relationship between unobservable input and fair value:

- The higher the capitalization rate, the lower the fair value;
- The higher the monthly rental, the higher the fair value.

17 INVESTMENT PROPERTIES *(Continued)*

(e) Valuation processes of the Group

The Group has a team that manages the valuation of level 3 investment properties for financial reporting purposes. The team manages the valuation exercise of investment properties on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 assets. The Group may engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year based on the properties' highest and best use.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in level 3 fair values are analyzed at each reporting date during the valuation discussions between the financial director and the valuation team. As part of this discussion, the valuation team presents a report that explains the reasons for the fair value movements.

18 LEASES

(a) Amounts recognised in the balance sheet

	Right-of-use for land use rights *RMB'000*
At December 31, 2018	
Cost	–
Reclassified from land use rights *(Note 15)*	598,492
Changes in accounting policies *(Note 2.2)*	6,773
Net book amount at January 1, 2019	605,265
Additions	175,486
Disposal	(12,338)
Amortisation charge	(21,364)
Currency translation differences	(88)
Closing net book amount at December 31, 2019	746,961
At December 31, 2019	
Cost	**898,653**
Accumulated amortisation	**(151,692)**
Net book amount	**746,961**

18 LEASES *(Continued)*

(a) Amounts recognised in the balance sheet *(Continued)*

Right-of-use assets	Buildings	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2018			
Cost	–	–	–
Changes in accounting policies *(Note 2.2)*	110,363	2,744	113,107
Net book amount at January 1, 2019	110,363	2,744	113,107
Additions	45,023	384	45,407
Decrease	–	(662)	(662)
Depreciation charge	(23,044)	(829)	(23,873)
Currency translation differences	3,319	(360)	2,959
Closing net book amount at December 31, 2019	135,661	1,277	136,938
At December 31, 2019			
Cost	**158,705**	**2,106**	**160,811**
Accumulated depreciation	**(23,044)**	**(829)**	**(23,873)**
Net book amount	**135,661**	**1,277**	**136,938**

	December 31, 2019	January 1, 2019
	RMB'000	*RMB'000*
Lease liabilities		
Current	**27,276**	17,515
Non-current	**96,031**	102,170

The expense relating to short-term leases and relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) is RMB5,856,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS

	Goodwill	Patents and trademarks	Software	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019					
Opening net book amount	417,617	92,692	10,398	26,733	547,440
Additions	–	1,051	3,122	–	4,173
Disposals	–	(497)	(160)	–	(657)
Currency translation differences	18,753	5,172	36	990	24,951
Amortization charge	–	(13,964)	(1,675)	(5,496)	(21,135)
Closing net book amount	436,370	84,454	11,721	22,227	554,772
At December 31, 2019					
Cost	458,606	180,852	24,229	103,436	767,123
Accumulated amortization	–	(88,702)	(12,508)	(45,012)	(146,222)
Impairment provision	(22,236)	(7,696)	–	(36,197)	(66,129)
Net book amount	436,370	84,454	11,721	22,227	554,772

	Goodwill	Patents and trademarks	Software	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018					
Opening net book amount	421,139	110,471	2,460	75,681	609,751
Additions	4,752	4,122	9,342	–	18,216
Disposals	–	(466)	(70)	–	(536)
Currency translation differences	(7,216)	(394)	68	(869)	(8,411)
Amortization charge	–	(17,156)	(1,402)	(13,324)	(31,882)
Impairment provision	(1,058)	(3,885)	–	(34,755)	(39,698)
Closing net book amount	417,617	92,692	10,398	26,733	547,440
At December 31, 2018					
Cost	437,775	184,798	22,378	98,952	743,903
Accumulated amortization	–	(81,522)	(11,980)	(37,464)	(130,966)
Impairment provision	(20,158)	(10,584)	–	(34,755)	(65,497)
Net book amount	417,617	92,692	10,398	26,733	547,440

Amortization charges were expensed off in administrative expenses in the consolidated income statement.

19 INTANGIBLE ASSETS *(Continued)*

(a) Goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

Management monitors the goodwill at each acquired company or group level. The following is a summary of goodwill allocation for each CGU:

	Opening	Addition	Impairment provision	Currency translation differences	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018					
– Subsidiaries in UK (i)	344,649	–	–	(8,272)	336,377
– Subsidiaries in Zhumadian, in the PRC (ii)	35,740	–	–	–	35,740
– Other subsidiaries *(iii, Note 39)*	40,750	4,752	(1,058)	1,056	45,500
	421,139	4,752	(1,058)	(7,216)	417,617

	Opening	**Addition**	**Impairment provision**	**Currency translation differences**	**Closing**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Year ended December 31, 2019					
– Subsidiaries in UK (i)	**336,377**	**–**	**–**	**18,373**	**354,750**
– Subsidiaries in Zhumadian, in the PRC (ii)	**35,740**	**–**	**–**	**–**	**35,740**
– Other subsidiaries (iii)	**45,500**	**–**	**–**	**380**	**45,880**
	417,617	**–**	**–**	**18,753**	**436,370**

19 INTANGIBLE ASSETS *(Continued)*

(a) Goodwill *(Continued)*

(i) The goodwill arose from the acquisition of Retlan Manufacturing Ltd. (“Subsidiaries in UK”), in 2016.

(ii) The goodwill arose from the acquisition of Zhumadian CIMC Huajun Vehicle Co., Ltd. and its subsidiaries (“Subsidiaries in Zhumadian”) in 2004.

(iii) The goodwill mainly arose from the acquisitions of several subsidiaries of the Group, CIMC Vehicles (Shandong) Co., Ltd., Yangzhou CIMC Tonghua Special Vehicles Co., Ltd., Shandong Wanshida Special Purpose Vehicle Manufacturing Co., Ltd. and CIMC Intermodal Equipment LLC.

Impairment review on the goodwill of the Group had been conducted by the management as of December 31, 2019 and 2018, according to IAS 36 “Impairment of assets”. For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a 5-year period.

The key assumptions used in the significant CGUs value-in-use calculations are as follows:

	RMB’000	*RMB’000*
Subsidiaries in UK		
Annual revenue growth rate for 5-year period	**(12%)-7%**	3%-6%
Gross profit rate	**8%-9%**	10%-11%
Terminal revenue growth rate	**2%**	3%
Pre-tax discount rate	**13%**	11%

	RMB’000	*RMB’000*
Subsidiaries in Zhumadian, in the PRC		
Annual revenue growth rate for 5-year period	**3%-8%**	3%-6%
Gross profit rate	**15%-17%**	13%-15%
Terminal revenue growth rate	**3%**	3%
Pre-tax discount rate	**14%**	12%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS *(Continued)*

(a) Goodwill *(Continued)*

The recoverable amounts of goodwill is shown as belows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
– Subsidiaries in UK	**393,287**	356,698
– Subsidiaries in Zhumadian, in the PRC	**1,161,201**	1,307,461

The headroom of goodwill is shown as belows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
– Subsidiaries in UK	**32,914**	20,321
– Subsidiaries in Zhumadian, in the PRC	**1,125,461**	1,271,721

The Group performs sensitivity analysis based on the assumption that annual revenue growth rate for 5-year period or the discount rates have been changed. Had the estimated key assumptions during the forecast period been changed by reasonably possible changes as below, the headroom would be decreased to as below:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Subsidiaries in UK		
Annual revenue growth rate for 5-year period decreases by 0.5%	**14,031**	19,417
Discount rate increases by 1%	**12,758**	16,417
Subsidiaries in Zhumadian, in the PRC		
Annual revenue growth rate for 5-year period decreases by 0.5%	**1,130,906**	1,270,084
Discount rate increases by 1%	**1,149,189**	1,263,415

19 INTANGIBLE ASSETS *(Continued)*

(a) Goodwill *(Continued)*

The following table shows the extent to which the key parameters would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	Required change for recoverable amount equals to carrying amount As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Subsidiaries in UK		
Annual revenue growth rate for 5-year period	When decreased by 7.12%	When decreased by 11.37%
Discount rate	When increased by 5.22%	When increased by 5.27%

As disclosed above, for the goodwill of the subsidiaries in UK and the goodwill of the subsidiaries in Zhumadian, a reasonably possible change in key parameters (forecast annual revenue growth rate for 5-year period and discount rate) would not cause its carrying amount to exceed its recoverable amount as of December 31, 2019 and 2018 respectively.

20 SUBSIDIARIES

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Investment in subsidiaries, at cost	**3,462,658**	2,940,559

20 SUBSIDIARIES *(Continued)*

(a) **As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries:**

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018
Direct holding							
CIMC Vehicle Investment holding Co., Ltd. "CIMC Vehicle Investment"	BVI, limited liability company	Investment holding		**100%**	100%	**–**	–
Yangzhou CIMC Tonghua Special Vehicles Co., Ltd.	Jiangsu, the PRC, limited liability company	Manufacturing and sales of trailers, semi-trailers and specialty vehicles; after-sales repairing service		**100%**	100%	**–**	–
Manson Technology Limited	Hong Kong, limited liability company	Investment holding		**100%**	100%	**–**	–
Wuhu CIMC Ruijiang Automobile Co., Ltd.	Anhui, the PRC, limited liability company	Development, production and sales of various special vehicles, ordinary mechanical products and metal structure parts		**72%**	72%	**28%**	28%
Luoyang CIMC Lingyu Automobile Co., Ltd.	Henan, the PRC, limited liability company	Production and sales of passenger transport vehicles, tank transport vehicles; processing of machines; import and export business		**71%**	71%	**29%**	29%
Liangshan CIMC Dongyue Vehicles Co., Ltd.	Shandong, the PRC, limited liability company	Production and sales of trailers, specific vehicles and relevant parts		**70%**	70%	**30%**	30%

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Direct holding							
Guangzhou CIMC Vehicle Sales Services Co., Ltd.	Guangdong, the PRC, limited liability company	Sales of cars, auto parts and components, wholesale and retail of products; information and trade consulting services; import and export of technologies and trade agency		**100%**	100%	**–**	–
Shenzhen CIMC Vehicle Marketing Service Co., Ltd.	Guangdong, the PRC, limited liability company	Sales of kinds of specific vehicles, engineering machinery and automotive chassis parts		**100%**	100%	**–**	–
Zhumadian CIMC Huajun Automobile Trading Co., Ltd.	Henan, the PRC, limited liability company	Sales of brand cars (operating with letter of authorization); sales of trailers, farm vehicles and relevant parts; automobile decoration; operation of FAW car; repair of cars		**100%**	100%	**–**	–
CIMC Vehicle (Jiangmen) Co., Ltd.	Guangdong, the PRC, limited liability company	Services; sales of automobile excluding those subject to management of automobile brand marketing		**77%**	77%	**23%**	23%
Tianjin CIMC Vehicle Logistics Equipment Co., Ltd.	Tianjin, the PRC, limited liability company	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; leasing of logistics equipment; storage services		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018
Direct holding							
Guangzhou CIMC Vehicle Logistics Equipment Co., Ltd.	Guangdong, the PRC, limited liability company	Wholesale and retail of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; maintenance of mechanical equipment		**100%**	100%	**–**	–
CIMC Vehicle (Group) Xinjiang Co., Ltd.	Xinjiang, the PRC, limited liability company	Production and sales of mechanical equipment and development of relevant technology		**100%**	100%	**–**	–
Sichuan CIMC Vehicle Logistics Equipment Co., Ltd.	Sichuan, the PRC, limited liability company	Sales of cars, wholesale and retail of goods, leasing and storage		**100%**	100%	**–**	–
Liaoning CIMC Vehicle Logistics Equipment Co., Ltd.	Liaoning, the PRC, limited liability company	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; leasing of logistics equipment; storage services		**100%**	100%	**–**	–
Shaanxi CIMC Vehicle Sales Service Co., Ltd.	Shaanxi, the PRC, limited liability company	Sales of cars and auto parts		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Direct holding							
Shenzhen CIMC Vehicle Marketing Co., Ltd.	Guangdong, the PRC, limited liability company	Sales of kinds of specific vehicles, engineering machinery and automotive chassis parts		**100%**	100%	**–**	–
Xiamen CIMC Vehicle Logistics Equipment Co., Ltd.	Fujian, the PRC, limited liability company	Wholesale and retail of cars and auto parts, driving for container, metal materials, mechanical and electrical equipment; maintenance of mechanical equipment		**100%**	100%	**–**	–
Nanning CIMC Vehicle Logistics Equipment Co., Ltd.	Guangxi, the PRC, limited liability company	Sales of special vehicles and semitrailers; purchasing and selling agency of auto parts, metal materials, hardware and electrical equipment and electromechanical equipment; maintenance of mechanical equipment		**100%**	100%	**–**	–
Chongqing CIMC Vehicle Sales Service Co., Ltd.	Chongqing, the PRC, limited liability company	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; maintenance of equipment; maintenance of mechanical equipment; storage services; import and export of goods		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018
Direct holding							
Xinjiang CIMC Vehicle Logistics Equipment Co., Ltd.	Xinjiang, the PRC, limited liability company	Sales of hardware and electrical equipment, electromechanical equipment and chemical products; maintenance of mechanical equipment; storage of logistic equipment; leasing and retreading of tires		**100%**	100%	**–**	–
Hubei CIMC Vehicle Sales Service Co., Ltd.	Hubei, the PRC, limited liability company	Sales of cars and relevant services; sales of auto parts, metal materials, hardware and electronic equipment, mechanical equipment and chemical products; storage services		**100%**	100%	**–**	–
Inner Mongolia CIMC Vehicle Logistics Equipment Co., Ltd.	Neimenggu, the PRC, limited liability company	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; storage services; chemical products, maintenance of mechanical equipment; tire leasing		**100%**	100%	**–**	–
Zhumadian CIMC Wanjia Axle Co., Ltd.	Henan, the PRC, limited liability company	Design, production, sales and technical service of vehicle axles and other auto parts		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Direct holding							
Anhui CIMC Vehicle Logistics Equipment Co., Ltd.	Anhui, the PRC, limited liability company	Wholesale and retail of non-passenger cars, auto parts, metal materials and mechanical equipment; maintenance of common machines	*i*	**–**	100%	**–**	–
CIMC Zhenjiang Technology Transport Equipment Co., Ltd.	Jiangsu, the PRC, limited liability company	Develop, produce and sell various special vehicles, semi-trailers and their parts, and provide related consulting and after-sales services	*ii*	**100%**	–	**–**	–
CIMC Jiangmen Technology Transport Equipment Co., Ltd.	Guangdong, the PRC, limited liability company	Production, R & D, and sales: new intelligent logistics machinery and equipment, special vehicles, semi-trailers, modified cars, auto parts, highway and port special machinery and equipment	*iii*	**100%**	–	**–**	–
Shenzhen CIMC Vehicle Co., Ltd.	Guangdong, the PRC, limited liability company	Development, manufacturing and sales of semi-trailers, specialty vehicles, and new machinery equipments for roads and ports; after-sales services		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Indirect holding							
Gansu CIMC Huajun Vehicles Co., Ltd.	Gansu, the PRC, limited liability company	Refitting of special vehicle, trailer and fittings, production of auto parts; sales of raw materials relating to car, autocycle and metals and chemicals		**100%**	100%	**–**	–
Shandong Wanshida Special Purpose Vehicle Manufacturing Co., Ltd.	Shandong, the PRC, limited liability company	Production and sales of trailer, specific vehicles and relevant parts		**70%**	70%	**30%**	30%
Dongguan CIMC Special Vehicle Co., Ltd.	Guangdong, the PRC, limited liability company	Development, production and sales of all kinds of high-tech and high-performance special vehicles, refitted vehicles, specific semitrailer series (these products cannot be produced until the national authority makes announcement) and their spare parts, new mechanical equipment for road and port, containers, folding boxes, special containers, general mechanical products and metal structures; technical after-sales services; import and export of goods and technologies		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Indirect holding							
Shanghai CIMC Automobile Examination and Repair Co., Ltd.	Shanghai, the PRC, limited liability company	Test and repair of cars; commission on buying and selling of auto parts, decoration materials, marine parts, hardware and electrical equipment, rubber and plastic products, electric wire and cables		**100%**	100%	**–**	–
Shanghai CIMC Baojian Vehicle Comprehensive Inspection Co., Ltd.	Shanghai, the PRC, limited liability company	Inspection of integrated performance for motor vehicles; storage of vehicles		**79%**	79%	**21%**	21%
Beijing CIMC Vehicle Sales Services Co., Ltd.	Beijing, the PRC, limited liability company	Sales of cars, auto parts and metal materials; cargo exports and imports; repair of mechanical equipment; insurance agency		**100%**	100%	**–**	–
Tianjin Ximake Transportation Service Co., Ltd.	Tianjin, the PRC, limited liability company	Sales of cars and auto parts		**100%**	100%	**–**	–
Shanghai CIMC Vehicle Sales Services Co., Ltd.	Shanghai, the PRC, limited liability company	Wholesale and retail of auto parts; sales of cars (sedan car excluded); processing, assembly and maintenance of vans, etc		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Indirect holding							
Shanghai Ximake Transportation Service Co., Ltd.	Shanghai, the PRC, limited liability company	Sales of cars and auto parts		**100%**	100%	**–**	–
Guangzhou CIMC Vehicle Drop and Pull Leasing Co., Ltd.	Guangdong, the PRC, limited liability company	Operation of roads and parking lots; leasing of cars, containers and machinery equipment; wholesale and retail of auto parts; commodity information technology consulting service, freight transport, etc		**70%**	70%	**30%**	30%
Shanghai Rongji Logistics Co., Ltd.	Shanghai, the PRC, limited liability company	Land transport of freights; leasing of cars and storage services		**80%**	80%	**20%**	20%
Shenzhen Shengji Logistics and Transportation Co., Ltd.	Shenzhen, the PRC, limited liability company	International and domestic freight forwarding agency; leasing of cars		**80%**	80%	**20%**	20%
Wuhan Shengji Logistics and Transportation Co., Ltd.	Hubei, the PRC, limited liability company	General freight; leasing of containers and automobiles		**80%**	80%	**20%**	20%
Charm Beat Enterprises Limited	BVI, limited liability company	Holding investment		**100%**	100%	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018
Indirect holding							
CIMC Intermodal Equipment LLC	USA, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
Exploitatiemaatschappij Intraprogres B.V	Holland, limited liability company	Investment holding		**100%**	100%	**–**	–
Lag Trailers NV Bree	Belgium, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
Immoburg NV	Belgium, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
LAG Polska Sp.z.o.o.	Poland, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
LAG Service Polska Sp.z.o.o.	Poland, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
LAG Immopolska Sp.z.o.o.	Poland, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC TRAILER RUS LLC	Moscow, Russian Federation, limited liability company	Sales of transport vehicles and relevant services		**100%**	100%	**–**	–
Retlan Manufacturing Limited ("Retlan")	Northern Ireland, UK, limited liability company	Manufacture and sales of transport vehicles and relevant services		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Indirect holding							
MDF Engineering Ltd.	Northern Ireland, UK, limited liability company	Manufacture and sales of transport vehicles and relevant services		**100%**	100%	**–**	–
SDC Trailers Ltd.	Northern Ireland, UK, limited liability company	Manufacturing and sales of semi-trailers		**100%**	100%	**–**	–
CIMC Commercial Tires Inc.	New Jersey, USA, limited liability company	Retreading and sales of used tires, sale of new tires and related services	*iv*	**24%**	55%	**–**	45%
CIMC USA, Inc.	USA, limited liability company	Investment holding		**100%**	100%	**–**	–
Vanguard National Trailer Corporation	USA, limited liability company	Manufacturing and sales of dry van trailers		**100%**	100%	**–**	–
CIMC Reefer Trailer, Inc.	USA, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Vehicles (HK) Limited	Hongkong,, limited liability company	Production and sales of kinds of special vehicles		**100%**	100%	**–**	–
CIMC Holdings Australia Pty Ltd.	Melbourne, Au, limited liability company	Investment holding		**100%**	100%	**–**	–
CIMC Vehicle Australia Pty Ltd.	Melbourne, Au, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018
Indirect holding							
Marshall Lethlean Industries Pty Ltd.	Melbourne, Au, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Australia Road Transport Equipment Pty Ltd.	Australia, limited liability company	Investment holding		**100%**	100%	**–**	–
General Transport Equipment Pty Ltd.	Australia, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Vehicle Europe Coöperatief U.A	Holland, limited liability company	Investment holding		**100%**	100%	**–**	–
CIMC Vehicle (Thailand) Co., Ltd.	Thailand, limited liability company	Manufacturing of transport vehicles and relevant services		**82%**	82%	**18%**	18%
Burg Carrosserie B.V	Holland, limited liability company	Investment holding		**100%**	100%	**–**	–
CIMC Rolling Stock Australia Pty Ltd.	Melbourne, Au, limited liability company	Manufacturing and leasing of transport vehicles and relevant services	*v*	**–**	100%	**–**	–
CIMC Vehicles (Malaysia) Sdn Bhd	Malaysia, limited liability company	Sales of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Trailer Poland Sp. z.o.o.	Gdansk, Poland, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Vehicles South Africa (Pty) Ltd.	South Africa, limited liability company	Manufacture and sales of transport vehicles and relevant services		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	*Note*	Ownership interest held by the Group 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interests 2019	Ownership interest held by non-controlling interests 2018
Indirect holding							
CIMC Vehicles (Viet Nam) Co., Ltd.	Vietnam, limited liability company	Sales of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Vehicles (Bahrain) Factory WLL	BAHRAINI, limited liability company	Sales of transport vehicles and relevant services		**70%**	70%	**30%**	30%
CIMC Vehicles UK Limited (“CIMC Vehicles UK”)	Northern Ireland, UK, limited liability company	Investment holding		**100%**	100%	**–**	–
Burg Trailer Service B.V.	Holland, limited liability company	Manufacturing of transport vehicles and relevant services		**100%**	100%	**–**	–
CIMC Vehicle Europe GmbH	Germany, limited liability company	Investment holding		**100%**	100%	**–**	–
Growth Fortune (Pty) Ltd.	South Africa, limited liability company	Project investment, real estate development; property management and related services		**100%**	100%	**–**	–
Growth Fortune FZE	DJIBOUTI, limited liability company	Road transport vehicle manufacturing and services	*vi*	**100%**	–	**–**	–
DJIBOUTI CIMC Huajun Vehicle FZE	DJIBOUTI, limited liability company	CKD assembly, manufacturing, accessories, services	*vii*	**100%**	–	**–**	–
CIMC Intermodal Equipment UK Limited	UK, limited liability company	Road transport vehicle manufacturing and service	*viii*	**100%**	–	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Note	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Direct and indirect holding							
Zhumadian CIMC Huajun Vehicle Co., Ltd.	Henan, the PRC, limited liability company@	Manufacturing and sales of specialty vehicles and trailers		**100%**	100%	**–**	–
CIMC Vehicles (Shandong) Co., Ltd.	Shandong, the PRC, limited liability company@	Development and manufacturing of refrigerator cars, tank trucks, semitrailers, van vehicles, special vehicles and other kinds of serials products, and rendering of technical services		**87%**	87%	**13%**	13%
Qingdao CIMC Special Vehicle Co., Ltd. ("Qingdao Special Vehicle")	Shandong, the PRC, limited liability company@	Development, production and sales of kinds of special vehicles, semitrailer and relevant parts; relevant consultation and after-sales services		**100%**	100%	**–**	–
Shanghai CIMC Vehicle Logistics Equipment Co., Ltd.	Shanghai, the PRC, limited liability company@	Development and construction of storage and supporting facilities, operation, leasing and sales of property, property management and relevant services		**100%**	100%	**–**	–
CIMC Vehicles (Liaoning) Co., Ltd.	Liaoning, the PRC, limited liability company@	Development and production of kinds of semitrailer, special vehicles and relevant parts, and providing relevant technical services		**100%**	100%	**–**	–

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Note	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Direct and indirect holding							
CIMC-SHAC (Xi'an) Special Vehicles Co., Ltd.	Shaanxi, the PRC, limited liability company@	Development and production of kinds of semitrailer, special vehicles and relevant parts, and providing relevant technical services		**75%**	75%	**25%**	25%
Qingdao CIMC Eco-Equipment Co., Ltd.	Shandong, the PRC, limited liability company@	Research and development ("R&D"), manufacturing, and sales of refuse disposal vehicles and parts, and relevant services		**100%**	100%	**–**	–
Zhumadian CIMC Huajun Casting Co., Ltd.	Henan, the PRC, limited liability company@	Production, processing, sales and R&D of casting parts; R&D, manufacturing and sales of auto parts and mechanical parts		**100%**	100%	**–**	–
China Jiangsu Vanguard Trailer Rental Co., Ltd.	Jiangsu, the PRC, limited liability company@	Leasing of cars and machinery equipment		**80%**	80%	**20%**	20%
Shanghai CIMC Special Vehicles Co., Ltd.	Shanghai, the PRC, limited liability company@	Development and production of van semitrailers and van vehicles		**100%**	100%	**–**	–
CIMC Jidong (Qinhuangdao) Vehicle Manufacture Co., Ltd.	Hebei, the PRC, limited liability company@	Sales of cars Sales of cars and auto parts and auto parts		**75%**	75%	**25%**	25%

20 SUBSIDIARIES *(Continued)*

(a) As of December 31, 2019 and 2018, the Group had direct or indirect interests in the following subsidiaries: *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Note	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
Direct and indirect holding							
Qingdao CIMC Reefer Trailer Co., Ltd. ("Qingdao Reefer")	Shandong, the PRC, limited liability company@	Manufacturing and sales of kinds of transportation equipment such as refrigerating and insulating equipment, and providing relevant technical services and maintenance	*Note 40*	**100%**	66%	**–**	34%
Jiangsu Baojing Auto Parts Co., Ltd. ("Jiangsu Baojing")	Jiangsu, the PRC, limited liability company@	Design and production of automotive axle tubes and other components, technical services		**100%**	100%	**–**	–

@ Registered as sino-foreign equity joint venture under PRC law.

Notes:

(i) This entity was deregistered and closed in May 2019.

(ii) The entity was newly set up in April 2019.

(iii) The entity was newly set up in March 2019.

(iv) The Group disposed 31% interests of the entity in March 2019.

(v) This entity was disposed in 2019.

(vi) The entity was newly set up in January 2019.

(vii) The entity was newly set up in October 2019.

(viii) The entity was newly set up in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS BY CATEGORY

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Financial assets		
Financial assets at fair value through profit or loss:		
– Financial assets at fair value through profit or loss *(Note 26)*	**215,255**	–
– Derivative financial instruments	**778**	3,496
	216,033	3,496
Financial assets at fair value through other comprehensive income:		
– Financial assets at fair value through other comprehensive income *(Note 26)*	**1,059,722**	–
Financial assets at amortized cost:		
– Trade and bill receivables *(Note 24)*	**2,304,107**	3,567,428
– Other receivables (excluding non-financial assets) *(Note 25)*	**265,744**	295,829
– Loans to related parties *(Note 41(c))*	**–**	174,846
– Restricted cash *(Note 27(b))*	**278,780**	140,098
– Cash and cash equivalents *(Note 27(a))*	**3,791,161**	2,616,979
	6,639,792	6,795,180
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
– Derivative financial instruments	**–**	376
Financial liabilities at amortized cost:		
– Trade and bill payables *(Note 32)*	**3,617,559**	3,066,537
– Other payables and accruals (excluding non-financial liabilities) *(Note 33)*	**739,661**	812,562
– Borrowings *(Note 31)*	**1,654,676**	2,291,249
– Lease liabilities *(Note 18)*	**123,307**	–
	6,135,203	6,170,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Associates (a)	**239,487**	230,542
Joint ventures (b)	**12,800**	340
	252,287	230,882

(a) Investments in associates

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**230,542**	174,732
Addition *(ii)*	**330**	85,683
Disposal	**–**	(24,143)
Share of net profit of associates	**14,641**	5,589
Dividends	**(7,476)**	(11,319)
Other comprehensive income	**1,465**	–
Currency translation differences	**(15)**	–
At the end of the year	**239,487**	230,542

Set out below are the associates of the Group during the year ended December 31, 2019 and 2018. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates *(Continued)*

Name	Place of incorporation	Percentage of ownership interest attributable to the Group As of December 31, 2019	2018	Principal activities
Xxentria Technology Materials (China) Co., Ltd.	the PRC	**40%**	40%	Development, manufacture and sale of environmentally friendly composite materials, building materials
CIMC Arabia Factory Company Limited	Saudi Arabia	**30%**	30%	Sales of auto parts, commercial vehicles, mechanical equipment and accessories, maintenance of mechanical equipment
Senju (Shanghai) International Trade Co., Ltd.	the PRC	**30%**	30%	Import and export, commission agents and provide related services; international trade
Shenzhen CADRO Hydraulic Equipment Co., Ltd. *(i)*	the PRC	**7%**	7%	Technical development, sales, software development, technical consultation of hydraulic machinery equipment
Tianjin Kangde Logistics Equipment Co., Ltd.	the PRC	**45%**	45%	Design, installation services and maintenance of logistics equipment and related components and steel structures service and related business consulting
Tianjin CIMC Logistics Equipment Co., Ltd.	the PRC	**45%**	45%	R&D, design, manufacture, sales, installation, maintenance and technical consultation, technology transfer, technical services of logistics equipment
Burgers Carrosserie BV	the PRC	**33%**	33%	Manufacturing of flatbed semi-trailers, container chassis, curtain-sider semi-trailers, lowbed semi-trailers
Shanghai Xinbaiqin Special Vehicle Co., Ltd.	the PRC	**20%**	20%	Production and sales of bulk feed transportation vehicles and accessories, machinery and equipment

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates *(Continued)*

Name	Place of incorporation	Percentage of ownership interest attributable to the Group As of December 31, 2019	2018	Principal activities
Shenzhen CIMC Cold Chain Technology Co., Ltd.*(i)*	the PRC	**19%**	19%	Refrigeration equipment design, R&D and sales; cold chain equipment leasing; cold chain technical consultation
Ningbo Huaxiang Automotive New Material Technology Co., Ltd.	the PRC	**40%**	40%	Design, development, production and sales of composite leaf springs and swing arm products for commercial vehicles, trucks and trailers
Zhenjiang Shen Xing Tai Bao Technology Co., Ltd. *(ii)*	the PRC	**23%**	20%	Production, processing and sales of security products, electronic products, automotive semi-trailer accessories
Shenzhen Shuxiang Technology Co., Ltd. *((i),(iii))*	the PRC	**3%**	45%	Technical development, technical consulting, technical services and equipment development in the field of automatic driving in semitrailer and commercial vehicles
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.*(i)*	the PRC	**10%**	10%	Supply chain management; business import and export business; sales of steel, aluminum, green recycling materials; business e-commerce; investment management; investment in industrial development (specific projects to be declared separately); business management consulting; business consulting; public relations activities organization planning
Chengdu CIMC Industrial Park Investment and Development Co., Ltd.	the PRC	**40%**	40%	Project investment, real estate development; warehousing services (excluding hazardous chemicals); property management and related services

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates *(Continued)*

As of December 31, 2019 and 2018, there were no contingent liabilities relating to the Group's interest in the associates and there were no associate that is material to the Group.

Notes:

(i) Although the equity interests held by the Group in these companies are below 20%, the Group has the right to appoint a director and has significant influence on these companies.

(ii) In 2019, the Company acquired additional 3% equity interests from a third party at a cash consideration of RMB330,000.

(iii) Due to the dilution of equity caused by the increase of other shareholders' capital contribution, the equity interest held by the Company decreased from 45% to 3%.

The tables below provide summarized financial information of all associates, which are individually immaterial to the Group.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Aggregate amounts of the Group's share of:		
profit from continuing operations	**14,641**	5,589
Other comprehensive income	**1,465**	–
Total comprehensive income	**16,106**	5,589

(b) Investments in joint ventures

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**340**	11,472
Additions *(Note i)*	**13,150**	–
Disposal	**(174)**	(11,318)
Share of net (loss)/profit of joint ventures	**(1,604)**	186
Other comprehensive income	**1,088**	–
At the end of the year	**12,800**	340

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) Investments in joint ventures *(Continued)*

		Percentage of ownership interest attributable to the Group As of December 31,		
Name	**Place of incorporation**	**2019**	2018	**Principal activities**
Shenzhen Xinghuo Chelian Technology Co., Ltd.	the PRC	**23%**	23%	Computer database, computer system analysis; provision of computer technology services and consulting; e-commerce, network business services, database services and consulting
Jiangsu Wanjin Technology Co., Ltd *(i)*	the PRC	**43%**	–	Development, manufacture and sale of environmentally friendly composite materials
Shenzhen Zhongan Jizhi Technology LLP	the PRC	**35%**	35%	Computer database, computer system analysis; provision of computer technology services

Notes:

(i) A newly set up joint venture in 2019.

The tables below provide summarized financial information of all joint ventures, which are individually immaterial to the Group.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Aggregate amounts of the Group's share of:		
(losses)/profits from continuing operations	**(1,604)**	186
Other comprehensive income	**1,088**	–
Total comprehensive income	**(516)**	186

23 INVENTORIES

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Finished goods	**1,348,689**	1,251,506
Raw materials	**1,465,578**	1,486,071
Work in progress	**985,555**	834,415
Spare parts	**194,540**	190,709
	3,994,362	3,762,701
Less: provision for impairment	**(164,937)**	(180,371)
	3,829,425	3,582,330

The cost of inventories recognized as expenses and included in "cost of sales" amounted to approximately RMB20,133,603,000 for the year ended December 31, 2019 (2018: RMB20,876,665,000).

Movements on the Group's provision for inventories are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**180,371**	193,341
Provision for impairment.	**22,282**	39,089
Write-off of inventories	**(37,970)**	(52,455)
Currency translation differences	**254**	396
At the end of the year	**164,937**	180,371

24 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 *(Note 41(c))*	**–**	31,634
	13,578	923,023
Trade receivables – third parties	**2,350,360**	2,713,538
Trade receivables – related parties *(Note 41(c))*	**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).

24 TRADE AND BILL RECEIVABLES *(Continued)*

(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 uncollectable	**(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 amount 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.

25 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 *(Note 41(c))*	**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 *(Note 41(c))*	**54,122**	63,886
Refundable tax	**49,415**	56,479
Rental and other deposits	**76,040**	78,857
Disbursement of vehicle mortgage loans *(Note 3.1(b))*	**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 *(a)*	**(40,557)**	(62,130)
	315,159	352,308
Total prepayments and other receivables	**650,331**	706,831

25 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Movements in the provision for impairment of other receivables are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**62,130**	93,147
Reversal of provision for impairment	**(3,824)**	(2,133)
Receivables written off during the year as uncollectible	**(17,749)**	(28,884)
At the end of the year	**40,557**	62,130

(b) The carrying amount of the Group's other receivables (exclude refundable tax) are denominated in the following currencies:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**246,459**	253,792
USD	**41,775**	90,592
Others	**18,067**	13,575
	306,301	357,959

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS OR THROUGH OTHER COMPREHENSIVE INCOME

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented wealth management products. The fair value is based on discounted cash flow using the expected return based on management judgment and is within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value (realized and unrealized) of this financial asset had been recognized in "other gains – net" in the consolidated income statement.

(b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income were bill receivables held for collection of contractual cash flows and for selling.

27 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000
Cash at bank and on hand	**3,688,497**	2,269,479
Short-term bank deposits with initial terms within three months	**102,664**	347,500
	3,791,161	2,616,979

Cash and cash equivalents are denominated in the following currencies:

	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000
RMB	**1,322,180**	1,663,858
USD	**661,269**	702,353
GBP	**139,897**	90,423
EUR	**63,334**	47,655
HKD	**1,462,764**	5,874
Others	**141,717**	106,816
	3,791,161	2,616,979

Bank balances carry interest ranging from 0.35% to 2.75% per annum (2018: 0.13% to 2.41% per annum).

(b) Restricted cash

The restricted cash mainly represented guarantee deposits placed at banks for issuing bill payables, foreign currencies and vehicle mortgage loans, etc. and were all denominated in RMB278,780,000 (December 31, 2018: RMB140,098,000).

28 ASSETS HELD FOR SALE

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Assets held for sale (a)		
Property, plant and equipment	**55,863**	86,296
Land use rights	**10,253**	85,177
Investment properties	**26,401**	26,401
Total non-current assets classified as held for sale	**92,517**	197,874

(a) Assets held for sale

On November 11, 2016, with the approval of board of directors of the Group, CIMC Jidong (Qinhuangdao) Vehicle Manufacture Co., Ltd. ("CIMC Qinhuangdao") committed to an agreement to sell parts of its property, plant and equipment and land use rights (the "Assets") amounting to RMB30,404,000 and RMB74,954,000 respectively at a consideration of RMB136,000,000, and the agreement is irrevocable. Due to certain delays, the sale was unlikely to be completed within 1 year from December 31, 2019, thus the Assets was transferred back to property, plant and equipment and right-of-assets land use rights.

On November 16, 2016, with the approval of board of directors of the Group, CIMC Vehicles (Group) Xinjiang Co., Ltd. ("CIMC Xingjiang") committed to an agreement to sell parts of its investment properties, property, plant and equipment and land use rights amounting to RMB26,401,000, RMB55,892,000 and RMB10,223,000 respectively with a consideration of RMB138,950,000, and the agreement is irrevocable. Due to certain delays, the sale has not been completed as of December 31, 2019. However, as CIMC Xinjiang has received a payment of RMB118,265,000 as of December 31, 2019, which accounted for over 85% of the total consideration, the directors of the Company considered that the transaction would probably proceed within one year and the relevant assets had been presented as held for sale as of December 31, 2019.

(b) Non-recurring fair value measurements

A disposal group and non-current assets classified as assets held for sale during the reporting period were measured at the lower of its carrying amount and fair value less costs to sell except for investment properties at the time of the reclassification and it did not result in any recognition of a write down during each of the years ended December 31, 2019 and 2018.

29 SHARE CAPITAL

	Note	**Number of ordinary shares** ***in thousand***	**Share capital** ***USD'000***	**Share capital** ***RMB'000***
As of December 31, 2017	*(a)*	N/A	212,225	1,482,661
Shares issued upon capitalization of reserves	*(b)*	1,500,000	3,150	17,339
As of December 31, 2018		1,500,000	215,375	1,500,000
Newly issued ordinary shares	*(c)*	265,000		265,000
As of December 31, 2019				
– Domestic shares		1,201,080		1,201,080
– H shares*		563,920		563,920
		1,765,000		1,765,000

* *H shares refer to the Company's shares listed on the Main Board of Stock Exchange of Hong Kong Limited.*

(a) After two times equity transfers from Resource SZITIC Trust Co., Ltd. ("CR Trust") to two new shareholders which took place in 2016 and 2017, as of the date of this report, the Company was held by CIMC Group, China International Marine Containers (Hong Kong) Limited ("CIMC HK"), Shanghai Tai Fu Xiang Zhong Equity Investment Fund Partnership (Limited Partnership)("Tai Fu Xiang Zhong"),Shenzhen Nan Shan Da Cheng New Material Investment Partnership (Limited Partnership) ("Nanshan Dacheng"), Shenzhen Long Yuan Gang Cheng Enterprise Management Center (Limited Partnership), Sumitomo Corporation ("Sumitomo"), Taizhou Tai Fu Xiang Yun Equity Investment Partnership (Limited Partnership) and Xiang Shan Hua Jin Equity Investment Partnership (Limited Partnership) at 44.330%, 18.999%, 16.822%, 1.544%, 1.544%, 0.929%, 10.7735% and 5.0585%, respectively.

(b) On October 23, 2018, the Company was converted into a joint stock company with limited liability with a registered capital of RMB1,500,000,000. The Company issued and allotted 1,500,000,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the respective proportion of the then share capital held by them in the Company as of September 21, 2018. RMB612,084,000 of retained earnings was capitalized and increase share capital of RMB17,339,000 and share premium of RMB594,745,000, respectively.

(c) On July 11, 2019, upon its listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 265,000,000 new ordinary shares at par value of RMB1 per share, the respective share capital amount was approximately RMB265,000,000.

30 RESERVES

	Capital premium/ share premium RMB'000	Other reserves RMB'000	Currency translation differences RMB'000	Total reserves RMB'000
As of January 1, 2018	1,350,307	93,509	4,510	1,448,326
Capital contribution from non-controlling interests (a)	–	(14,357)	–	(14,357)
Acquisition of additional interests in a subsidiary (b)	–	(8,163)	–	(8,163)
Profit appropriations to enterprise expansion fund/statutory surplus reserve (c)	–	369,491	–	369,491
Transfer out of revaluation gain on properties (d)	–	(52,662)	–	(52,662)
Shares issued upon capitalization of reserves *(Note 29(b))*	909,574	(314,829)	–	594,745
Net gains from changes in fair value of cash flow hedging instruments	–	(1,014)	–	(1,014)
Currency translation differences	–	–	53,950	53,950
As of December 31, 2018	2,259,881	71,975	58,460	2,390,316

	Share premium ***RMB'000***	**Other reserves** ***RMB'000***	**Currency translation differences** ***RMB'000***	**Total reserves** ***RMB'000***
As of January 1, 2019	**2,259,881**	**71,975**	**58,460**	**2,390,316**
Transaction with non-controlling interests	**–**	**1,271**	**–**	**1,271**
Acquisition of additional interests in a subsidiary *(Note 40)*	**–**	**(6,986)**	**–**	**(6,986)**
Transfer of statutory surplus reserves (f)	**–**	**105,143**	**–**	**105,143**
IPO (e)	**1,132,737**	**–**	**–**	**1,132,737**
Net gains from changes in fair value of cash flow hedging instruments	**–**	**(141)**	**–**	**(141)**
Currency translation differences	**–**	**–**	**60,311**	**60,311**
As of December 31, 2019	**3,392,618**	**171,262**	**118,771**	**3,682,651**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 RESERVES *(Continued)*

(a) This represented the additional capital contribution of RMB35,939,000 from non-controlling interests of a subsidiary, CIMC Vehicle (Jiangmen) Co., Ltd..

(b) On November 30, 2018, the Company entered into an equity transfer agreement with CIMC Group, non-controlling shareholder of Qingdao Special Vehicle, pursuant to which the Company agreed to acquire the remaining 44.34% equity interest at a cash consideration of approximately RMB41,075,000. As of December 31, 2018, the acquisition has been completed, and Qingdao Special Vehicle became the wholly owned subsidiary of the Company.

(c) As disclosed in Note 29(b), the Company was converted into a joint stock company on October 23, 2018. In accordance with the Company Law and the Company's Article of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% the registered capital. The statutory surplus reserve can be used to make up for the loss or to increase the capital after approval from the appropriate authority. The Company appropriated 10% of its retained earning after the conversion, amounting to RMB54,662,000.

(d) In 2018, the Group disposed subsidiaries which held investment properties. The other comprehensive income resulted from the revaluation gain on the date of transfer from owner-occupied properties to investment properties was transferred to retained earnings.

(e) On July 11, 2019, upon its listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 265,000,000 new ordinary shares at par value of RMB1 per share for cash consideration of HKD6.38 each, and raised gross proceeds of approximately HKD1,690,700,000(equivalent to approximately RMB1,487,545,000). The respective share capital amount was approximately RMB265,000,000 and share premium arising from the issuance was approximately RMB1,132,737,000, net of the share issuance costs after deduction of deposits interest from listing subscription. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing, which are incremental costs directly attributable to the issuance of new shares. These costs amounting to RMB89,808,000, after deduction of deposits interest from listing subscription, were treated as a deduction against the share premium arising from issuance.

(f) In accordance with the Company Law and the Company's Article of Association, the Company appropriated 10% of retained earning amounting to RMB105,143,000 to the statutory surplus reserves.

31 BORROWINGS

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current liabilities:		
Loans from related parties *(Note 41(c))*	**–**	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 *(Note 41(c))*	**–**	655,204
Loans from related parties, guaranteed *(Note 41(c))*	**–**	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 were 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 was 5.23% (December 31, 2018: 4.02%), and short-term borrowings was 4.24% (December 31, 2018: 4.38%), respectively.

31 BORROWINGS *(Continued)*

As of December 31, 2019 and 2018, the Group's borrowings were 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 TRADE AND BILL PAYABLES

	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000
Third parties	**3,528,921**	2,962,574
Related parties *(Note 41(c))*	**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 RMB'000	As of December 31, 2018 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 amount of the Group's trade and bill payables are denominated in the following currencies:

	As of December 31, 2019 RMB'000	As of December 31, 2018 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 value of trade and bill payables approximated to their carrying amount.

33 OTHER PAYABLES AND ACCRUALS

	As of December 31, 2019 RMB'000	2018 RMB'000
Amounts due to related parties *(Note 41(c))*	**155,452**	270,032
Dividend payables 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

(a) The carrying amount of the Group's other payables are denominated in the following currencies:

	As of December 31, 2019 RMB'000	2018 RMB'000
RMB	**1,810,580**	1,714,799
USD	**112,692**	121,451
GBP	**17,939**	22,866
EUR	**40,158**	4,915
Others	**19,740**	12,158
	2,001,109	1,876,189

(b) As of December 31, 2019 and 2018, the fair value of other payables and accruals approximated to their carrying amount.

34 PROVISIONS

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Product warranties	**112,384**	120,168
Accrued litigation and compensation losses and others	**13,033**	12,650
	125,417	132,818

	Product warranties	Accrued litigation and compensation losses and others	Total
	RMB'000	*RMB'000*	*RMB'000*
As of December 31, 2017	102,380	11,911	114,291
Currency translation differences	947	341	1,288
Provision made	87,628	848	88,476
Provision utilized	(70,787)	(450)	(71,237)
As of December 31, 2018	120,168	12,650	132,818
Currency translation differences	2,343	249	2,592
Provision made	73,105	697	73,802
Provision utilized	(83,232)	(563)	(83,795)
As of December 31, 2019	**112,384**	**13,033**	**125,417**

35 DEFERRED INCOME

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current liabilities:		
Government grants related to assets (a)	**20,165**	16,662
Government grants related to income (b)	**5,494**	5,945
	25,659	22,607
Included in current liabilities:		
Government grants related to income (b)	**141,957**	398,872
Total	**167,616**	421,479

(a) Amounts represent government grants in respect of the Group's construction of vehicle manufacturing facilities, the upgrade of vehicle manufacturing technologies and the purchase of land use rights.

(b) Amounts mainly represent the compensation granted by government in respect of demolition of certain factory.

(c) As of December 31, 2019, deferred income recognized as an income amounted to RMB3,940,000 (December 31, 2018: RMB2,879,000), which was included in "other income".

36 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to be applied at the time of reversal of the temporary differences.

(a) Deferred tax assets

The analysis of deferred income tax assets is as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Provision for impairment of inventories	**23,963**	20,328
Employee benefits	**61,558**	48,395
Provisions and financial guarantee for vehicle mortgage loans	**19,916**	24,759
Unrealized gain on inter-group transactions	**15,653**	21,002
Provision for bad debts	**16,522**	26,195
Tax losses	**11,392**	2,747
Accrued expenses	**33,582**	35,153
Others	**4,075**	7,329
Total deferred tax assets	**186,661**	185,908
Offset of deferred tax liabilities	**(16,994)**	(21,287)
Deferred tax assets – net	**169,667**	164,621

36 DEFERRED INCOME TAXES *(Continued)*

(a) Deferred tax assets *(Continued)*

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Provision for impairment of inventories	Employee benefits	Provisions and financial guarantee for vehicle mortgage loans	Unrealized gain on inter-group transactions	Provision for bad debts	Tax losses	Accrued expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	29,035	46,892	18,272	15,912	48,366	7,157	24,003	13,073	202,710
(Charged)/credited to consolidated income statement	(6,193)	1,503	6,487	5,090	(22,155)	(4,410)	11,150	(1,620)	(10,148)
Disposal of subsidiaries	(2,514)	–	–	–	(16)	–	–	(4,124)	(6,654)
At December 31, 2018	20,328	48,395	24,759	21,002	26,195	2,747	35,153	7,329	185,908
At January 1, 2019	**20,328**	**48,395**	**24,759**	**21,002**	**26,195**	**2,747**	**35,153**	**7,329**	**185,908**
Credited/(charged) to consolidated income statement	**3,552**	**13,159**	**(4,922)**	**(5,349)**	**(9,693)**	**8,474**	**(1,584)**	**(3,232)**	**405**
Currency translation differences	**83**	**4**	**79**	**–**	**20**	**171**	**13**	**(22)**	**348**
At December 31, 2019	**23,963**	**61,558**	**19,916**	**15,653**	**16,522**	**11,392**	**33,582**	**4,075**	**186,661**

36 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31, 2019 RMB'000	2018 RMB'000
The balance comprises temporary differences attributable to:		
Revaluation gains on the date of transfer from owner occupied properties to investment properties	–	163
Fair value gains on investment properties	76,574	77,039
Accelerated depreciation of property, plant and equipment	36,977	41,687
Fair value gains in business combination	27,056	29,011
Others	4,870	7,007
Total deferred tax liabilities	145,477	154,907
Offset of deferred tax assets	(16,994)	(21,287)
Deferred tax liabilities – net	128,483	133,620

	Revaluation gains on the date of transfer from owner occupied properties to investment properties RMB'000	Fair value gains on investment properties RMB'000	Accelerated depreciation of property, plant and equipment RMB'000	Fair value gains in business combination RMB'000	Others RMB'000	Total RMB'000
At January 1, 2018	17,717	77,340	31,754	39,829	8,864	175,504
Credited/(charged) to consolidated income statement	–	10,897	9,933	(10,818)	(1,857)	8,155
Disposal of subsidiaries	(17,554)	(11,198)	–	–	–	(28,752)
At December 31, 2018	163	77,039	41,687	29,011	7,007	154,907

36 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities *(Continued)*

	Revaluation gains on the date of transfer from owner occupied properties to investment properties *RMB'000*	Fair value gains on investment properties *RMB'000*	Accelerated depreciation of property, plant and equipment *RMB'000*	Fair value gains in business combination *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2019	163	77,039	41,687	29,011	7,007	154,907
Charged to consolidated income statement	–	–	(5,261)	(3,105)	(2,120)	(10,486)
Currency translation differences	(163)	(465)	551	1,150	(17)	1,056
At December 31, 2019	–	76,574	36,977	27,056	4,870	145,477

As of December 31, 2019 the Group did not recognize deferred income tax assets of RMB38,290,000(December 31, 2018: RMB38,047,000), in respect of deductible temporary differences amounting to RMB185,553,000 (December 31, 2018: RMB184,184,000).

As of December 31, 2019 the Group did not recognize deferred income tax assets of RMB106,633,000 (December 31, 2018: RMB108,922,000), in respect of deductible cumulative tax losses amounting to RMB526,981,000 (December 31, 2018: RMB527,291,000), that can be carried forward against future taxable income due to uncertainty of their recoverability. Maturity of deductible losses for which deferred tax assets have not been recognized is as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**46,089**	54,855
1 to 2 years	**75,385**	68,996
2 to 3 years	**94,820**	75,385
3 to 4 years	**59,990**	94,820
Above 5 years	**250,697**	233,235
Total	**526,981**	527,291

37 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of net profit to cash inflow from operating activities:

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Profit before income tax	**1,570,743**	1,552,754
Adjustments for:		
Depreciation of property, plant and equipment *(Note 16)*	**303,655**	258,035
Amortization of land use rights *(Note 15)*	**–**	13,131
Amortization of right-of-use for land use rights (Note 18)	**21,364**	–
Amortization of right-of-use assets *(Note 18)*	**23,873**	–
Amortization of intangible assets *(Note 19)*	**21,135**	31,882
(Gains)/losses on disposal of property, plant and equipment *(Note 8)*	**(21,472)**	2,540
Losses on disposal of land use rights *(Note 8)*	**657**	–
Gains on disposal of right-of-use for land use rights *(Note 8)*	**(34,582)**	–
Net impairment losses reversal on financial assets and financial guarantee contracts	**(1,181)**	(16,284)
Impairment for intangible assets *(Note 19)*	**–**	39,698
Impairment for property, plant and equipment *(Note 16)*	**–**	10,041
Provision for impairment of inventories *(Note 23)*	**22,282**	39,089
Amortization of deferred income *(Note 35)*	**(3,940)**	(2,879)
Losses/(gains) on disposal of subsidiaries, associates and joint ventures	**9,394**	(53,395)
Share of net profit of associates and joint ventures	**(13,037)**	(5,775)
Finance costs	**73,293**	140,834
Fair value gains on investment properties *(Note 17)*	**(231)**	(44,454)
Fair value gains on financial instruments *(Note 8)*	**(18,843)**	(4,089)
Losses on disposal of financial instruments *(Note 8)*	**409**	15,788
Changes in working capital:		
– Increase in inventories	**(269,377)**	(469,027)
– Decrease/(increase) in receivables and financial assets at fair value through other comprehensive income	**439,119**	(764,186)
– Decrease in contract liabilities	**(62,244)**	(214,435)
– Increase in payables	**161,232**	795,165
– (Decrease)/increase in provision	**(7,401)**	18,527
– (Increase)/decrease in restricted cash	**(138,682)**	31,898
Cash generated from operations	**2,076,166**	1,374,858

37 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) Major non-cash transactions

As the Group has adopted IFRS 16 from its mandatory adoption date of January 1, 2019,the Group has increased lease liabilities amounted to RMB26,710,000 during the year 2019.

(c) Reconciliation of liabilities generated from financing activities

	Bank borrowings – repayable within 1 year *RMB'000*	Bank borrowings – repayable after 1 year *RMB'000*	Loans from related parties *RMB'000*	Interest payable to related parties *RMB'000*	Payable for bank borrowing *RMB'000*	Total *RMB'000*
Liabilities from financing activities as of January 1, 2018	606,559	184,363	1,632,987	26,324	–	2,450,233
Cash flows	469,508	100,743	(889,892)	(112,361)	(76,826)	(508,828)
Accrued interest expenses	–	–	–	86,037	76,826	162,863
Reclassification	59,031	(59,031)	–	–	–	–
Disposal of subsidiaries	–	–	(242,000)	–	–	(242,000)
Non-cash transaction (b)	–	–	398,970	–	–	398,970
Currency translation differences	25,043	4,968	–	–	–	30,011
Liabilities from financing activities at December 31, 2018	1,160,141	231,043	900,065	–	–	2,291,249

37 CASH GENERATED FROM OPERATIONS *(Continued)*

(c) Reconciliation of liabilities generated from financing activities *(Continued)*

	Bank borrowings – repayable within 1 year RMB'000	Bank borrowings – repayable after 1 year RMB'000	Leases RMB'000	Loans from related parties RMB'000	Interest payable to related parties RMB'000	Payable for bank borrowing RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2019	1,160,141	231,043	119,685	900,065	–	–	2,410,934
Cash flows	506,147	(142,543)	(28,695)	(900,065)	(8,362)	(120,056)	(693,574)
Accrued interest expenses	–	–	–	–	8,362	120,431	128,793
Non-cash transaction (b)	(156,749)	–	26,710	–	–	–	(130,039)
Currency translation differences	56,637	–	5,607	–	–	–	62,244
Liabilities from financing activities at December 31, 2019	1,566,176	88,500	123,307	–	–	375	1,778,358

38 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Construction/purchase of property, plant and equipment	**201,575**	72,704

(b) Operating lease commitments – the Group as lessee

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,2018 RMB'000
No later than 1 year	30,661
Later than 1 year and no later than 5 years	82,121
Later than 5 years	58,226
	171,008

(c) Operating lease commitments – the Group as lessor

The investment properties and vehicles are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to Note 6 and Note17.

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**91,252**	54,020
Later than 1 year and no later than 5 years	**159,164**	78,503
Later than 5 years	**2,844**	3,555
	253,260	136,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BUSINESS COMBINATION

(a) Jiangsu Baojing

On August 27, 2018 and December 22, 2018, the Company entered into equity transfer agreements with Mr. Kong Xianming, pursuant to which the Company agreed to acquire 6.1% and 3.9% of the equity interests of Jiangsu Baojing at a consideration of RMB3,050,000 and RMB1,950,000, respectively. On October 12, 2018, the Company entered into an equity transfer agreement with Baosteel Metal Co., Ltd., pursuant to which the Company agreed to acquire the remaining 42% of the equity interests of Jiangsu Baojing at a consideration of RMB21,000,000. These transactions have been completed on December 29, 2018. After that, Jiangsu Baojing became a wholly owned subsidiary of the Company.

40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Qingdao Reefer

In November 2018, CIMC Vehicle Investment, a subsidiary of the Company, entered into an equity transfer agreement with CIMC HK, pursuant to which CIMC Vehicle Investment agreed to acquire 34% equity interest of Qingdao Reefer, an existing subsidiary of the Company, at a cash consideration of approximately RMB88,826,000. As of January 31, 2019, the acquisition has been completed. Qingdao Reefer became a wholly owned subsidiary of the Company.

	2019 *RMB'000*
Carrying amount of non-controlling interests acquired	**81,840**
Consideration paid to non-controlling interests	**(88,826)**
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	**(6,986)**

41 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the year ended December 31, 2019 and 2018. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the year ended December 31, 2019 and 2018.

Names of the entities	Nature of relationship
CIMC Group	Ultimate holding company
Yangzhou TongLee Reefer Container Co., Ltd.	Fellow subsidiary
Yangzhou Taili Special Equipment Co., Ltd.	Fellow subsidiary
Yangzhou Runyang Logistics Equipment Co., Ltd.	Fellow subsidiary
Xinhui CIMC Wood Co., Ltd.	Fellow subsidiary
Xinhui CIMC Container Co., Ltd.	Fellow subsidiary
Tianjin CIMC Container Co., Ltd.	Fellow subsidiary
Taicang CIMC Special Logistics Equipment Co., Ltd.	Fellow subsidiary
Taicang CIMC Reefer Logistics Equipment Co., Ltd.	Fellow subsidiary
Silveroad Investment Ltd.	Fellow subsidiary
Shenzhen Zhongji Huijie Supply Chain Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacture Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Container Manufacture Co., Ltd.	Fellow subsidiary
Shenzhen Qianhai Zhongqi Valley Investment Co., Ltd.	Fellow subsidiary
Shenzhen CIMC-Tianda Airport Support Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Vehicle Park Investment and Management Co., Ltd.	Fellow subsidiary

41 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names and relationships with related parties *(Continued)*

Names of the entities	Nature of relationship
Shenzhen CIMC Technology Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Production City Development Group Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Investment Holding Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Parking Co., Ltd	Fellow subsidiary
Shenyang CIMC Vehicle Market Management Co., Ltd.	Fellow subsidiary
Shenyang CIMC Industrial Park Investment and Development Co., Ltd.	Fellow subsidiary
Shanghai CIMC Yangshan Logistics Equipments Co., Ltd.	Fellow subsidiary
Shanghai CIMC Baowell Industries Co., Ltd.	Fellow subsidiary
Shaanxi CIMC Vehicle Industrial Park Investment and Development Co., Ltd.	Fellow subsidiary
RuiJi Logistics (Wuhu) Co., Ltd.	Fellow subsidiary
Qingdao Lida New Rubber & Plastic Products Co., Ltd.	Fellow subsidiary
Qingdao Lida Chemical Co., Ltd.	Fellow subsidiary
Qingdao Kooll Logistics Co., Ltd.	Fellow subsidiary
Qingdao CIMC Special Reefer Co., Ltd.	Fellow subsidiary
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	Fellow subsidiary
Qingdao CIMC Container Manufacture Co., Ltd.	Fellow subsidiary
Qianhai Ruiji Technology Co., Ltd.	Fellow subsidiary
NYK Zhenhua logistics (Tianjin) Co. Ltd.	Fellow subsidiary
Ningbo MRO Trading Co., Ltd.	Fellow subsidiary
Ningbo CIMC Logistic Equipment Co.Ltd	Fellow subsidiary
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	Fellow subsidiary
Nantong CIMC Eco New Material Development Co., Ltd.	Fellow subsidiary
Langfang CIMC Airport Support Co., Ltd	Fellow subsidiary
Jiaxing CIMC Wood Co., Ltd.	Fellow subsidiary
Guangdong Xinhui CIMC Special Transportation Equipment Co., Ltd.	Fellow subsidiary
Dongguan Southern CIMC Logistic Equipment Manufacturing Co.,Ltd.	Fellow subsidiary
Dongguan CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Dalian CIMC Logistics Equipment Co., Ltd.	Fellow subsidiary
Civil Aviation Xie Fa Equipment Co., Ltd.	Fellow subsidiary
CIMC Transportation Equipment (International) Holdings Limited	Fellow subsidiary
CIMC Silvergreen GmbH	Fellow subsidiary
CIMC Modern Logistic Development Co., Ltd.	Fellow subsidiary

41 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names and relationships with related parties *(Continued)*

Names of the entities	Nature of relationship
CIMC Management and Training (Shenzhen) Co., Ltd.	Fellow subsidiary
CIMC Lide Drive Systems (Yangzhou) Co., Ltd.	Fellow subsidiary
CIMC Intermodal Development Co., Ltd.	Fellow subsidiary
CIMC HK	Fellow subsidiary
CIMC Finance Co.,Ltd. ("CIMC Financial Institution")	Fellow subsidiary
CIMC Enric Holdings Limited and its subsidiaries	Fellow subsidiary
CIMC Eco Material Supply Co., Ltd.	Fellow subsidiary
CIMC Capital Ltd.	Fellow subsidiary
CIMC Burg B.V. and its subsidiaries	Fellow subsidiary
Chengdu CIMC Transportation Equipment Manufacture Co., Ltd.	Fellow subsidiary
Chaoku (Shanghai) Refrigeration Equipment Co., Ltd.	Fellow subsidiary
C&C Trucks Sales Company Ltd.	Fellow subsidiary
C&C Trucks Co., Limited	Fellow subsidiary
Asia Cargo Link Ltd.	Fellow subsidiary
Anhui United Feicai Vehicle Co., Ltd.	Fellow subsidiary
Zhenjiang Shen Xing Tai Bao Technology Co., Ltd.	Associate of the Group
Xxentria Technology Materials (China) Co., Ltd.	Associate of the Group
Senju (Shanghai) International Trading Co., Ltd	Associate of the Group
Tianjin CIMC logistics equipment Co., Ltd.	Associate of the Group
Tianjin Kangde logistics equipment Co., Ltd.	Associate of the Group
Shanghai Xinbaiqin Special Vehicle Co., Ltd.	Associate of the Group
Shenzhen Shuxiang Technology Co., Ltd.	Associate of the Group
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	Associate of the Group
Shenzhen CADRO Hydraulic Equipment Co., Ltd.	Associate of the Group
Chengdu CIMC Industrial Park Investment and Development Co.,Ltd.	Associate of the Group
Shenzhen Zhongan Jizhi Technology Co., Ltd.	Joint venture
Shenzhen Xinghuo Chelian Technology Co., Ltd.	Joint venture
Jiangsu Wanjing Technology Co., Ltd.	Joint venture
Shanghai Shenyi Special Vehicle Parts Co., Ltd.	Joint venture

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

41 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

	Year ended December 31, 2019 RMB'000	2018 RMB'000
(i) Purchase of goods from		
Fellow subsidiaries	**428,960**	512,522
Associates of the Group	**7,127**	142,050
Joint ventures	**29,990**	–
	466,077	654,572
(ii) Sales of goods to		
Fellow subsidiaries	**103,038**	234,146
Associates of the Group	**870**	–
A joint venture	**12,130**	–
	116,038	234,146
(iii) Interest income from		
Associates of the Group	**309**	880
CIMC Financial Institution	**17,352**	11,208
Fellow subsidiaries except CIMC Financial Institution	**364**	532
Ultimate holding company	**–**	9,409
	18,025	22,029
(iv) Interest expenses to		
CIMC Financial Institution	**4,401**	24,848
A fellow subsidiary	**–**	947
Ultimate holding company	**3,961**	60,242
	8,362	86,037

41 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
(v) Provision of services to		
Fellow subsidiaries	**11,882**	17,070
Associates of the Group	**120**	2,197
Ultimate holding company	**33**	38
A joint venture	**302**	–
	12,337	19,305
(vi) Purchases of services from		
Fellow subsidiaries	**105,764**	134,226
Associates of the Group	**44,437**	–
A joint venture	**407**	–
	150,608	134,226
(vii) Acquisition of equity interests		
Ultimate holding company	**88,826**	41,075
(viii) Disposal of equity interests		
A fellow subsidiary	**–**	213,990

CIMC Group had provided properties management services, leased properties and licensed some trademarks to the Group. For the year ended December 31,2019, the amount involved in respect of leased properties was RMB1,452,000 (December 31,2018:Nil). For the year ended December 31,2019 and 2018, for properties management services and licensed trademarks, the amount involved was nil.

41 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As of December 31, 2019 RMB'000	2018 RMB'000
(i) Cash		
CIMC Financial Institution	**685,065**	1,782,660
(ii) Trade and bill receivables		
Fellow subsidiaries	**52,103**	101,811
Associates of the Group	**119**	1,792
A joint venture	**9,736**	–
Ultimate holding company	**33**	–
	61,991	103,603
(iii) Financial assets at fair value through other comprehensive income		
Fellow subsidiaries	**18,232**	–
A Joint ventures	**7,255**	–
	25,487	–
(iv) Prepayments		
Associates of the Group	**1,755**	–
Fellow subsidiaries	**4,657**	5,106
	6,412	5,106
(v) Other receivables		
Fellow subsidiaries	**26,378**	26,970
Ultimate holding company	**22,001**	36,846
Joint ventures	**3,285**	–
Associates of the Group	**2,458**	70
	54,122	63,886

Other receivables from related parties were unsecured, interest-free and repayable on demand. They are non-trade nature.

41 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

(vi) Loans to related parties

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Loans to ultimate holding company		
Beginning of the year	**75,000**	225,000
Loans provided	**–**	–
Repayment	**(75,000)**	(150,000)
End of year	**–**	75,000

The loans to the ultimate holding company matured in one year. The interest rates on the loans during the year ended December 31, 2019 was 5.44% per annum (2018: 4.15% to 5.44%).

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Loans to fellow subsidiaries		
Beginning of the year	**60,790**	15,225
Loans provided	**–**	–
Repayment	**(60,790)**	–
Subsidiaries were changed to fellow subsidiaries	**–**	45,565
End of year	**–**	60,790

The loans to fellow subsidiaries matured in one year. The interest rates on the loans during the year ended December 31, 2019 were ranging from 3.95% to 5.44% per annum (2018: 0% to 5.44%).

41 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

(vi) Loans to related parties (Continued)

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Loans to associates of the Group		
Beginning of the year	**39,056**	12,300
Loans provided	**–**	22,500
Repayment	**(39,056)**	(12,300)
Increase as partially disposal of a subsidiary	**–**	39,056
Decrease as step up acquisition of a subsidiary	**–**	(22,500)
End of year	**–**	39,056

The loans to an associate of the Group have maturity in one year. The interest rates on the loans during the year ended December 31, 2019 was 5.44% per annum (2018: 4.15% to 4.35%).

(vii) Loans from related parties

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Loans from ultimate holding company		
Beginning of the year	**368,930**	1,152,080
Loans advanced	**–**	284,220
Transfer from dividend payables	**–**	398,970
Disposal of subsidiaries	**–**	(242,000)
Loan repayments made	**(368,930)**	(1,224,340)
End of year	**–**	368,930

The loans from the ultimate holding company have maturity in one year. The interest rates on the loans during the year ended December 31, 2019 were ranged from 5.44% to 5.68% per annum (2018: 3.95% to 5.19%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

(vii) Loans from related parties (Continued)

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Loans from fellow subsidiaries		
Beginning of the year	**531,135**	480,907
Loans advanced	**31,700**	763,487
Loan repayments made	**(562,835)**	(713,259)
End of year	**–**	531,135

The loans from related parties have maturity from 1 month to 24 months. The interest rates on the loans during the year ended December 31, 2019 were ranged from 4.21% to 5.75% per annum (2018: 1.8% to 5.75%).

		As of December 31, 2019 RMB'000	2018 RMB'000
(viii)	Trade and bill payables		
	Fellow subsidiaries	**70,791**	102,570
	Joint ventures	**16,221**	–
	Associates of the Group	**1,626**	1,393
		88,638	103,963
(ix)	Other payables		
	Fellow subsidiaries	**132,316**	204,149
	Ultimate holding company	**23,131**	65,669
	Associates of the Group	**5**	214
		155,452	270,032
(x)	Contract liabilities		
	Fellow subsidiaries	**128**	279

Other payables to related parties are unsecured, interest-free, and repayable on demand. They are non-trade nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key Management compensation

The compensation paid or payable to the management personnel (including directors, CEO, supervisor and other senior executives) for employee services are show below:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**24,489**	11,262
Pension costs and other employee benefits	**779**	270
Others	**20**	205
	25,288	11,737

(e) Financial guarantee for vehicle mortgage loans provided to

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Fellow subsidiaries	**624,587**	389,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 GUARANTEE

(a) Financial guarantees

The Company entered into financial guarantee contracts regarding to vehicle mortgage loans mainly with Huishang Bank, Industrial Bank, Shandong HOWO Auto Finance Co., Ltd, China Guangfa Bank, Postal Savings Bank of China, Zhongyuan Bank, CIMC financing leasing Co., Ltd. and CIMC Financial Institution 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 totaled RMB1,786,026,000(December 31, 2018: RMB1,253,510,000). And RMB139,429,000 bank deposit were pledged for these guarantee (December 31, 2018: RMB89,266,000).

(b) Outstanding performance bond and letter of credit

As of December 31, 2019, the Group had outstanding performance bond and letter of credit totally RMB4,094,000 (December 31, 2018: RMB2,353,000).

43 EVENTS AFTER THE BALANCE SHEET DATE

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

Due to a series of precautionary and control measures that had been implemented and continued to be in place across the country, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc., the resumption of business by the Group has been delayed which slowed our production level down to some extent. The Group has assessed that the COVID-19 outbreak may have potential impact on the market and customer demands.

In addition, on January 16, 2020, China and the United States signed the Phase One "Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America".

The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements.

The Group will monitor to the development of aforesaid events closely and evaluate its impact on the financial position and operating results of the Group.

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**8,526**	6,444
Intangible assets	**1,702**	625
Investments accounted for using the equity method	**187,719**	168,179
Investments in subsidiaries	**3,462,658**	2,940,559
Deferred tax assets	**38,690**	36,999
Other non-current assets	**244**	–
	3,699,539	3,152,806
Current assets		
Inventories	**–**	1,954
Other current assets	**11,689**	–
Trade and bill receivables	**236,455**	245,648
Prepayments and other receivables	**1,478,786**	848,130
Loans to related parties	**–**	75,000
Restricted cash	**–**	605
Cash and cash equivalents	**1,722,408**	336,728
	3,449,338	1,508,065
Total assets	**7,148,877**	4,660,871
Equity and liabilities		
Equity attributable to the owners of the Company		
Share capital	**1,765,000**	1,500,000
Reserves (a)	**3,465,528**	2,225,095
Retained earnings (a)	**1,038,245**	491,958
Total equity	**6,268,773**	4,217,053

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Liabilities		
Current liabilities		
Trade and bill payables	**2,931**	1,077
Other payables and accruals	**590,786**	435,901
Contract liabilities	**2,920**	–
Borrowings	**283,467**	–
Income tax liabilities	**–**	6,420
Provisions	**–**	420
Total liabilities	**880,104**	443,818
Total equity and liabilities	**7,148,877**	4,660,871

The balance sheet of the Company was approved by the Board of Directors on March 25, 2020 and was signed on its behalf.

Mai Boliang	**Li Guiping**
Chairman	*Director*

44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Capital premium/ share premium *RMB'000*	Other reserves *RMB'000*	Total reserves *RMB'000*	Retained earnings *RMB'000*
As of January 1, 2018	1,220,876	21,546	1,242,422	725,550
Total comprehensive income for the year	–	–	–	1,031,983
Disposal of subsidiaries	–	18,437	18,437	–
Dividend	–	–	–	(289,313)
Profit appropriations to enterprise expansion fund/statutory surplus reserves	–	369,491	369,491	(369,491)
Shares issued upon capitalization of reserves	909,574	(314,829)	594,745	(612,084)
Others	–	–	–	5,313
As of December 31, 2018	2,130,450	94,645	2,225,095	491,958

	Share premium ***RMB'000***	**Other reserves** ***RMB'000***	**Total reserves** ***RMB'000***	**Retained earnings** ***RMB'000***
As of January 1, 2019	**2,130,450**	**94,645**	**2,225,095**	**491,958**
Total comprehensive income for the year	**–**	**–**	**–**	**1,051,430**
Disposal of subsidiaries	**–**	**2,553**	**2,553**	**–**
Dividend	**–**	**–**	**–**	**(400,000)**
Transfer of statutory surplus reserves	**–**	**105,143**	**105,143**	**(105,143)**
IPO	**1,132,737**	**–**	**1,132,737**	**–**
As of December 31, 2019	**3,263,187**	**202,341**	**3,465,528**	**1,038,245**

FOUR-YEAR FINANCIAL SUMMARY

The following table summarizes the results of our Group for each of the four years ended December 31, 2016, 2017, 2018 and 2019. The summary of the results of the Group of each of the three years ended December 31, 2016, 2017 and 2018 have been extracted from the Prospectus unless specified otherwise. No financial statements of the Group for the year ended December 31, 2015 have been published.

	Year ended December 31,			
	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Operating results:				
Revenue	14,555,633	19,366,989	24,168,174	**23,220,206**
Gross profit	2,205,743	2,848,324	3,159,308	**2,984,769**
Operating profit	1,042,512	1,315,128	1,621,379	**1,585,875**
Profit before income tax	1,023,172	1,271,711	1,552,754	**1,570,743**
Profit for the year	752,774	1,011,521	1,232,002	**1,326,461**
Profit attributable to owners of the Company	730,077	964,380	1,142,924	**1,210,643**
Earnings per share (expressed in RMB per share):				
– Basic and diluted	0.49	0.64	0.76	**0.75**

	As of December 31,			
	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Assets and liabilities:				
Cash and cash equivalents	1,780,266	2,810,813	2,616,979	**3,791,161**
Current assets	9,605,906	10,996,451	11,138,656	**12,362,552**
Total assets	14,796,064	16,251,477	16,560,642	**18,681,084**
Borrowings (non-current)	1,148,622	184,363	310,604	**88,500**
Borrowings (current)	1,013,336	2,265,870	1,980,645	**1,566,176**
Current liabilities	6,330,114	8,568,625	8,145,632	**8,121,175**
Net current assets	3,275,792	2,427,826	2,993,024	**4,241,377**
Total liabilities	7,717,204	9,242,065	8,612,933	**8,460,410**
Total assets less current liabilities	8,465,950	7,682,852	8,415,010	**10,559,909**
Total equity	7,078,860	7,009,412	7,947,709	**10,220,674**

FOUR-YEAR FINANCIAL SUMMARY *(Continued)*

	Year ended December 31,			
	2016	2017	2018	**2019**
Key financial indicators:				
Gross profit margin	15.2%	14.7%	13.1%	**12.9%**
Operating profit margin	7.2%	6.8%	6.7%	**6.8%**
Net profit margin	5.2%	5.2%	5.1%	**5.7%**
Current ratio *(note 1)*	1.5	1.3	1.4	**1.5**
Quick ratio *(note 2)*	1.0	0.9	0.9	**1.1**
Return on total assets *(note 3)*	5.5%	6.5%	7.5%	**7.5%**
Return on equity *(note 4)*	11.1%	14.4%	16.5%	**14.6%**

Note:

1, Equal to total current assets divided by total current liabilities.

2, Equal to current assets excluding inventories divided by total current liabilities.

3, Equal to annual net profit divided by the average balance of total assets for the beginning and the end of the year.

4, Equal to annual net profit of the Group divided by the average balance of total equity for the beginning and the end of the year.

DEFINITIONS

For the purpose of this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"2019 AGM"	the annual general meeting or its adjournment to be convened and held by the Company on Monday, June 22, 2020
"2019 Final Dividend"	the final dividend of RMB0.45 per ordinary share (tax inclusive) recommended by the Board to Shareholders in cash
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee under the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Company"	CIMC Vehicles (Group) Co., Ltd. (中集車輛（集團）股份有限公司) (including our predecessor, CIMC Vehicles (Group) Co., Ltd. (中集車輛（集團）有限公司)), a joint stock company with limited liability established under the laws of the PRC on August 29, 1996
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to CIMC and/or CIMC Hong Kong, as the case may be
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chi Xiao"	Chi Xiao Enterprise Co., Ltd. (赤曉企業有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"CIMC"	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱（集團）股份有限公司), a joint stock company incorporated in the PRC on January 14, 1980 and listed on the Shenzhen Stock Exchange (stock code: 000039) and the Stock Exchange (stock code: 2039), and the promoter and Controlling Shareholder of the Company

CIMC Financial Institution	CIMC Finance Co., Ltd. (中集集團財務有限公司), a limited liability company established in the PRC on February 9, 2010, a wholly owned subsidiary of CIMC
"CIMC Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"CIMC Enric"	CIMC Enric Holdings Limited (中集安瑞科控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 03899), and a non-wholly owned subsidiary of CIMC
"CIMC Hong Kong" or "CIMC HK"	China International Marine Containers (Hong Kong) Limited (中國國際海運集裝箱（香港）有限公司), a limited liability company incorporated in Hong Kong on July 30, 1992, and a wholly owned subsidiary of CIMC and the promoter and Controlling Shareholder of the Company
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	the offer of H Shares by the Company for subscription by the public in Hong Kong, and in offshore transactions outside the United States and only to Qualified Institutional Buyers (QIBs) in the United States, the details of which are set out in the Prospectus
"Proceeds from the Global Offering" or "Raised Funds"	the proceeds received upon the completion of the Global Offering of H Shares on the Main Board of the Stock Exchange on July 11, 2019
"Group" or "we"	the Company and its subsidiaries (unless the context otherwise requires)
"H Share(s)"	overseas listed foreign ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS *(Continued)*

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing"	listing of our H Shares on the Stock Exchange
"Listing Date"	July 11, 2019
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Longyuan Investment"	Shenzhen Long Yuan Gang Cheng Investment and Development Co., Ltd. (深圳市龍源港城投資發展有限責任公司), a limited liability company established in the PRC on December 14, 2015
"Nanshan Group"	China Nanshan Development (Group) Co., Ltd. (中國南山開發（集團）股份有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee under the Board
"Ping An Decheng"	Shenzhen Ping An Decheng Investment Limited Company (深圳市平安德成投資有限公司), a limited liability company established in the PRC on September 9, 2008 and the general partner of Shanghai Taifu and Taizhou Taifu
"Ping An Financial"	Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"Ping An Group"	Ping An Insurance (Group) Company Ltd. (中國平安保險（集團）股份有限公司), a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 601318) and the Stock Exchange (stock code: 2318), and our Substantial Shareholder

"Ping An Health Partnership"	Shenzhen Ping An Health Technology Equity Investment Partnership (Limited Partnership) (深圳市平安健康科技股權投資合夥企業(有限合夥)), a limited partnership established in the PRC, and our Substantial Shareholder
"Ping An Life Insurance"	Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated June 27, 2019 in connection with the Global Offering
"Remuneration Committee"	the remuneration committee under the Board
"Reporting Period"or "the Year"	the year ended December 31, 2019
"Relevant Period"	the period from July 11, 2019 to December 31, 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Taifu"	Shanghai Tai Fu Xiang Zhong Equity Investment Fund Partnership (Limited Partnership) (上海太富祥中股權投資基金合夥企業(有限合夥)), a limited liability partnership established in the PRC on December 18, 2015, and the promoter and Shareholder of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Share(s), Unlisted Foreign Share(s) and H Share(s), as the case may be
"Shareholders(s)"	holder(s) of our Share(s)

DEFINITIONS *(Continued)*

"Shenzhen Longhui"	Shenzhen Long Hui Gang Cheng Enterprise Management Center (Limited Partnership) (深圳市龍匯港城企業管理中心（有限合夥)), a limited liability partnership incorporated in the PRC on May 11, 2017, and a shareholder of Xiangshan Huajin
"Shenzhen Longyuan"	Shenzhen Long Yuan Gang Cheng Enterprise Management Center (Limited Partnership) (深圳市龍源港城企業管理中心（有限合夥)), a limited liability partnership incorporated in the PRC on April 29, 2016, and the promoter and Shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee under the Board
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Taizhou Taifu"	Taizhou Tai Fu Xiang Yun Equity Investment Partnership (Limited Partnership) (台州太富祥雲股權投資合夥企業（有限合夥)), a limited liability partnership established in the PRC on November 28, 2017, and the promoter and Shareholder of the Company
"Unlisted Foreign Share(s)"	unlisted ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each held by CIMC HK and Sumitomo Corporation before the Listing
"Xiangshan Huajin"	Xiang Shan Hua Jin Industrial Investment Partnership (Limited Partnership) (象山華金實業投資合夥企業（有限合夥)) (previously known as Xiang Shan Hua Jin Equity Investment Partnership (Limited Partnership) (象山華金股權投資合夥企業（有限合夥))), a limited liability partnership established in the PRC on November 22, 2017, and the promoter and Shareholder of the Company

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