

**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



Upgrade of "Product Module"



Improvement of "Light Tower Plants"



Kick-off of "Sales and Marketing Transforming"



Promotion of the Organizational Development

**2020**  
**Interim Report**



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For the purpose of this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“A Shares”	ordinary share(s) proposed to be issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 each, which will be listed on the ChiNext Market of the Shenzhen Stock Exchange and traded in RMB
“Audit Committee”	the audit committee under the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Company” or “CIMC Vehicles”	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 Group 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 the Substantial Shareholder of the Company
“CIMC Group”	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 Hong Kong Stock Exchange (stock code: 2039), and the promoter and Controlling Shareholder of the Company
“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

“CIMC Enric”	CIMC Enric Holdings Limited (中集安瑞科控股有限公司), a limited liability company incorporated in the Cayman Islands on September 28, 2004, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Hong Kong stock code: 3899) and a non-wholly owned subsidiary of CIMC
“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” or “Public 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 Hong Kong 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 Hong Kong Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing”	listing of our H Shares on the Hong Kong Stock Exchange
“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 the Substantial Shareholder of the Company
“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 the Substantial Shareholder of the Company
“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 Hong Kong Stock Exchange (stock code: 2318), and the Substantial Shareholder of the Company
“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 liability partnership established in the PRC, and the Substantial Shareholder of the Company
“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 the Substantial Shareholder of the Company

“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”	the six months ended June 30, 2020
“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)
“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
“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)), a limited liability partnership established in the PRC on November 22, 2017, and the promoter and Shareholder of the Company

**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. Chen Bo  
Ms. Zeng Beihua  
Mr. Wang Yu  
Mr. Huang Haicheng

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

**STRATEGY AND INVESTMENT COMMITTEE**

Mr. Huang Haicheng (*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**

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Nanshan District, Shenzhen  
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**PRINCIPAL BANKS**

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173 Zhaoshang Road  
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Guangdong, the PRC



**Standard Chartered Bank, Hong Kong Branch**

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**Everbright Bank, Shenzhen Haibin Sub-branch**

Everbright Bank  
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Nanshan District, Shenzhen  
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**Wells Fargo**

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United States

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**AUDITOR**

**PricewaterhouseCoopers**

*Certified Public Accountants*  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
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**HONG KONG LEGAL ADVISOR**

**Paul Hastings**

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**H SHARE REGISTRAR**

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**LISTING PLACE OF H SHARES**

The Main Board of the Hong Kong Stock Exchange

**STOCK CODE**

1839

**COMPANY WEBSITE**

[www.cimcvehiclesgroup.com](http://www.cimcvehiclesgroup.com)

According to the Global Trailer's 2019 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, sale and after-sales services of seven major categories of semi-trailers in global major markets. In the China market, the Company is a competitive and innovative manufacturer of truck bodies for specialty vehicles as well as a manufacturer of refrigerated truck bodies.

Since entering the semi-trailer industry in 2002, the Company has formed its business and technical advantages around the concept of "Focus and Innovation". We market and sell our products in China under renowned brands "Tonghua (通華)", "Huajun (華駿)", "SCVC SAILING (深揚帆)", "Ruijiang Vehicles (瑞江汽車)", "Lingyu Vehicles (凌宇汽車)" and "Liangshan Dongyue (梁山東岳)", in North America under the "Vanguard" and "CIE" brands, and in Europe under the "SDC" and "LAG" brands which are well-known brands with long history.

The Company began to explore the construction of "sophisticated manufacturing system" since 2014. At present, we have established globally 12 "Light Tower" Plants for the production of semi-trailer, 6 "Light Tower" Plants for the production of truck bodies of specialty vehicles, and 2 "Light Tower" Plants for truck bodies of the refrigerated vans, as well as "Product Module" for a number of semi-trailer series. We will continue to focus on the comprehensive construction and improvement of "sophisticated manufacturing system" to maintain continuous competitive advantages of the Company.

## 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:
  - 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

## CHAPTER I BUSINESS REVIEW AND ANALYSIS FOR THE FIRST HALF OF 2020

### I. The Macro-environment and Changes in Industrial Demands

1. In the first half of 2020, as global economic activities were severely affected by the global outbreak and spread of COVID-19, and additional Sino-US tariffs were imposed, the Group's global development continued to be impacted. With intensified downward pressure on the global economy and the block of foreign trade products, there were uncertainties in business of overseas markets.
2. In China's semi-trailer market, the new national standards of second-generation semi-trailers (GB1589-2016 and GB7258-2017) came into force in 2020. According to the Three-year Action Plan for Special Remediation of National Work Safety (全國安全生產專項整治三年行動計劃) and the Implementation Plan for Three-year Action on Special Remediation of Road Transportation Safety (道路運輸安全專項整治三年行動實施方案) issued by the Safe Production Commission under the State Council, the special remediation inspection on illegally modified trucks will be conducted to prevent and contain illegal modification of trucks and ensure the safety of road transportation. The PRC government proactively promulgated supporting policies to optimize the business environment, and comprehensively promoted the replacement of second-generation semi-trailers and the high-quality development of semi-trailers in China.
3. In terms of specialty vehicles in China, with the stable resumption of work production, intelligent environmentally-friendly urban dump trucks and light and durable cement mixer trucks that the Group has vigorously operated benefit from China's environmental protection measures, tightening regulation of vehicle overloading, replacement of old vehicles, intensified investment in infrastructure construction and favorable macro policies.

4. In terms of refrigerated vans in China, under the influence of the COVID-19 outbreak, more consumers purchase various consumer goods through e-commerce models, and boost the demand for fresh food delivery to home. The surge in global demand for pharmaceutical supplies and biological products under low-temperature transportation has further stimulated the demand for cold chain transportation of medical supplies. As the PRC government plans to establish 17 national core cold-chain logistics bases and implements the reduction or exemption of expressway transportation charges for agricultural products in 2020, the growth of China's refrigerated vans market will be accelerated.

## II. Review on Core Business Performance

During the Reporting Period, the Group sold a total of 51,019 units of semi-trailers worldwide. A total of 24,580 sets of truck bodies for specialty vehicles and 2,345 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 RMB758.4 million.

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

### 1. Global semi-trailer business in the first half of 2020

	Six months ended June 30, 2020		
	Revenue <i>RMB in millions</i>	Gross profit <i>RMB in millions</i>	Gross profit margin %
China semi-trailer	2,983.1	409.8	13.7
North America semi-trailer	1,614.9	209.8	13.0
Europe semi-trailer	560.7	29.6	5.3
Other markets semi-trailer	396.5	61.2	15.4
<b>Subtotal</b>	<b>5,555.2</b>	<b>710.4</b>	<b>12.8</b>

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 North America market when formulating the expected plan at the beginning of 2020. Although the sudden outbreak of COVID-19 caused inestimable impact on the global economy, the operation performance of our global semi-trailer business was in line with expectation due to our solid foundation of “Global Operation” developed by the Group over the years and the “Local Manufacturing” by the local enterprises of the Group.

**Semi-trailer business in China in the first half of 2020** — Despite the significant impact of the COVID-19 outbreak in the first quarter of 2020, the Group rode over the impact of COVID-19 on the China market through efficient remote office model as well as scientific management and control of the resumption of work and production. In addition, the increased demands for the second-generation semi-trailers resulted from the PRC government’s quickened pace to address the issue of “over-limit and overload vehicles”, especially the national standards of second-generation semi-trailers coming into force in 2020. With the reshaped consumption habits during the COVID-19 outbreak and the constant development of e-commerce logistics in China, the sales of van trailers and transitional chassis trailers + van bodies increased. The sales of tank trailers in the China market were boosted by the decline in international oil prices during the Reporting Period, leading to favorable crude oil reserves in China.

In addition to significant increase in sales of tank semi-trailers, the Group actively implemented core measures to upgrade our “Product Module”, and continued to upgrade and improve “Light Tower” Plants in China. Our revenue from semi-trailer business in China increased to RMB2,983.1 million, a significant year-on-year increase of 31.3%, and the gross profit margin increased to 13.7%, a year-on-year increase of 2.8 percentage points.

**Semi-trailer business in North America in the first half of 2020** — The business is mainly comprised of three major types of trailers: van trailers, refrigerated trailers and Chassis trailers.

In the first half of 2020, the Group produced and delivered a total of over 10,000 semi-trailers in North America, which were delivered in accordance with contracts, thus receiving praise from customers. The average gross profit margin of the three products reached 13.0%. Despite the slight decrease compared with the corresponding period of last year, it still recorded profit. Meanwhile, the localization of production was accelerated, and the chassis trailer production lines of CIE Manufacturing brand located in California and Virginia had already been put into operation in North America market. The new refrigerated trailer plant of CRTI brand located in Indiana will be completed in 2020 as planned.

At the beginning of the COVID-19 outbreak, the management team of the Group in the United States put forward the action plan of “Protect Our Working Place, Protect Our Working People Initiatives” in a timely manner. The action plan helped effectively control the impact of the COVID-19 outbreak on manufacturing plants and maintain the “low-speed operation” of the five plants of the Group in the United States. The “low-speed operation” also resulted in the decline in revenue from the semi-trailer business in North America.

**Semi-trailer business in Europe in the first half of 2020** has recovered relatively well, despite the impact of the COVID-19 outbreak.

LAG Trailers NV Bree, a wholly-owned subsidiary of the Group, possessed sound amount of orders in the first quarter of 2020 prior to the COVID-19 outbreak in Europe, and its delivery and sales were impacted to some extent due to the discontinuation of work and production in the second quarter of 2020. However, based on its ample reservation of orders and excellent supply chain management measures, its production efficiency and order delivery gradually returned to normal levels following the resumption of work and production since May in the second quarter of 2020, and the gross profit margin increased.

In the first half of 2020, SDC Trailers Ltd. produced and delivered a total of more than 1,500 semi-trailers, which were delivered in full compliance with relevant local epidemic prevention measures and requirements and basically in accordance with contracts, thus receiving praise from customers. The revenue from parts and components business increased slightly compared with the corresponding period of last year, and the gross profit margin increased by 3.7 percentage points year-on-year. The overall gross profit margin of SDC Trailers Ltd. decreased by 1.1 percentage points year-on-year.

During the COVID-19 outbreak, under the leadership of the chairman of the Board of the Group, the management team of SDC Trailers Ltd. actively promoted organizational development, optimized the supply chain, closed certain inefficient production facilities, and completed the upgrade of the production line of the semi-trailer assembly plant in Mansfield, England, thus laying a good foundation for increasing production and improving efficiency in the future.

The revenue from the semi-trailer business in Europe decreased as a result of the impact of the COVID-19 outbreak.

**Semi-trailer business in Other Markets in the first half of 2020** — The business performance of semi-trailers in other markets was affected by the COVID-19 outbreak.

The revenue and gross profit margin of the global semi-trailer business of the Group in the first half of 2020 and the first half of 2019 and the percentage point changes are listed as follows. Particularly, the changes in revenue of the global semi-trailer business were mainly due to the decline in revenue from the semi-trailer business in North America, Europe and other markets which were affected by the COVID-19 outbreak.

	Six months ended June 30,					
	Revenue			Gross profit margin		
	2020	2019	Change	2020	2019	Change
<i>RMB in millions</i>	<i>RMB in millions</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>point</i>	
China semi-trailer	2,983.1	2,272.6	+31.3	13.7	10.9	+2.8
North America semi-trailer	1,614.9	2,691.8	-40.0	13.0	14.9	-1.9
Europe semi-trailer	560.7	1,131.2	-50.4	5.3	8.8	-3.5
Other markets semi-trailer	396.5	586.6	-32.4	15.4	14.8	+0.6
<b>Subtotal</b>	<b>5,555.2</b>	<b>6,682.2</b>	<b>-16.9</b>	<b>12.8</b>	<b>12.5</b>	<b>+0.3</b>

**2. Manufacture of truck bodies for specialty vehicles and sales of fully-assembled specialty vehicles in China in the first half of 2020**

	Six months ended June 30, 2020		
	Revenue <i>RMB in millions</i>	Gross profit <i>RMB in millions</i>	Gross profit margin  %
Manufacture and sales of truck bodies for specialty vehicles	1,870.4	314.7	16.8
Truck chassis and tractor unit	2,590.8	30.2	1.2
<b>Subtotal</b>	<b>4,461.2</b>	<b>344.9</b>	<b>7.7</b>

- With the acceleration of Made in China 2025 and Industry 4.0, China comprehensively promotes the implementation of its strategy of strengthening China through sophisticated manufacturing. We have formed overall scale advantages in upgrading towards sophisticated manufacturing and automated and intelligent production models. Although the overall market was affected in the first quarter of 2020, the Group launched intelligently manufactured and intelligent cement mixer trucks after the recovery of the COVID-19 outbreak, maintaining a leading position in the China market. During the Reporting Period, we sold a total of 13,207 cement mixers.
- The urban dump truck body business of the Group ranked in the top in the industry. During the Reporting Period, due to the impact of the COVID-19 outbreak, the supply chains of some tractor manufacturer partners in China were hit in the first quarter of 2020, resulting in insufficient supply of truck chassis. With the rapid recovery of the heavy truck market in the second quarter of 2020, orders of the urban dump truck body business rebounded in the second quarter of 2020.
- During the Reporting Period, the industry-leading automated coating production line located in Luoyang plant went into operation, representing a significant breakthrough in the upgrade of production line of truck bodies for specialty vehicles, which will significantly improve the coating of products as well as automation and intelligent level of coating system.



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 the first half of 2020 and the first half of 2019 and the changes thereof were set out as follows.

The revenue from the manufacture of truck bodies for specialty vehicles and the sales of fully-assembled specialty vehicles of the Group in China decreased in the first half of 2020, which was mainly due to the insufficient supply of truck chassis.

	Six months ended June 30,					
	Revenue			Gross profit margin		
	2020	2019	Change	2020	2019	Change
<i>RMB in millions</i>	<i>RMB in millions</i>	%	%	%	Percentage point	
Manufacture and sales of truck bodies for specialty vehicles	1,870.4	2,600.7	-28.1	16.8	18.2	-1.4
Truck chassis and tractor unit	2,590.8	2,173.0	+19.2	1.2	1.7	-0.5
<b>Subtotal</b>	<b>4,461.2</b>	<b>4,773.7</b>	-6.5	<b>7.7</b>	<b>10.7</b>	<b>-3.0</b>

### 3. *Manufacture of truck bodies for refrigerated trucks and sales of fully-assembled refrigerated trucks in China in the first half of 2020*

- In the first half of 2020, the subsidiaries of the Group, CIMC Vehicles (Shandong) Co., Ltd. (“**Shandong CIMC**”), Qingdao CIMC Reefer Trailer Co., Ltd. (“**Qingdao Reefer**”), Zhenjiang Truck Body Plant and Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. (“**Yangzhou Tonghua**”) produced and delivered a total of 2,345 refrigerated van truck bodies. It is worth mentioning that Shandong CIMC actively carried out new retail activities during the COVID-19 outbreak, thus securing sufficient orders and increasing its gross profit margin. The gross profit margin in the first half of 2020 increased to 23.0%, representing an increase of 5.9 percentage points compared with the corresponding period of last year.

4. *Sales of parts and components for semi-trailer and specialty vehicle business in the first half of 2020*

	Six months ended June 30, 2020		
	Revenue <i>RMB in millions</i>	Gross profit <i>RMB in millions</i>	Gross profit margin %
China market	308.0	37.9	12.3
North America market	299.4	21.5	7.2
Europe market	147.3	46.0	31.2
Other markets	3.7	1.8	48.6
<b>Subtotal</b>	<b>758.4</b>	<b>107.2</b>	<b>14.1</b>

The revenue from the sales of parts and components of truck bodies for semi-trailer and specialty vehicles of the Group in the first half of 2020 has generally remained stable. The revenue, gross profit margin and changes in the first half of 2020 and the first half of 2019 were set out as follows:

- The parts and components business is related to the stock of sold semi-trailers and specialty vehicles. Therefore, compared with the semi-trailer and specialty vehicle businesses, the impact of the COVID-19 outbreak on the parts and components business was controlled within a certain range, and its supply chain was also gradually returned to normal level in the second quarter of 2020.
- As China quickly went through the trough caused by the COVID-19 outbreak, its rapid recovery of economic activities led to growth in the revenue of the parts and components business in the China market. The parts and components business in China has shifted from simply selling parts to vehicle repair and maintenance. With more focus on repair and maintenance services, we integrated the parts and components business in China into after-sales services to ensure our competitive advantages in parts and components.

- Due to significant impact on the parts and components supply chain in North America and Europe caused by the COVID-19 outbreak, our parts and components business in North America, Europe and other markets were affected, leading to decline in revenue.

	Six months ended June 30,					
	Revenue			Gross profit margin		
	2020	2019	Change	2020	2019	Change
<i>RMB in millions</i>	<i>RMB in millions</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>point</i>	
China market	308.0	285.0	+8.1	12.3	20.7	-8.4
North America market	299.4	341.0	-12.2	7.2	6.8	+0.4
Europe market	147.3	161.8	-9.0	31.2	29.6	+1.6
Other markets	3.7	8.6	-57.0	48.6	20.0	+28.6
<b>Subtotal</b>	<b>758.4</b>	<b>796.4</b>	<b>-4.8</b>	<b>14.1</b>	<b>16.5</b>	<b>-2.4</b>

#### 5. Other businesses in the first half of 2020

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 the first half of 2020 and the first half of 2019 and the changes were set out as follows:

	Six months ended June 30,					
	Revenue			Gross profit margin		
	2020	2019	Change	2020	2019	Change
<i>RMB in millions</i>	<i>RMB in millions</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>point</i>	
Sales of other types of vehicles	97.7	109.5	-10.8	24.9	21.7	+3.2
Others	155.5	145.3	+7.0	40.6	52.2	-11.6

### III. Review of Consolidated Financial Results and Explanation

The revenue and the net profit of the Group for the six months ended June 30, 2020 was RMB11,155.0 million and RMB696.6 million respectively.

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) (“**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**”). The Group has recorded other income of RMB177.0 million during the Reporting Period (six months ended June 30, 2019: RMB126.7 million).
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 and built a digital semi-trailer plant for Yangzhou Tonghua, and the investment and construction of a tank truck plant for Yangzhou Tonghua will be completed in 2020.
3. In July 2020, the Company paid a final dividend of 2019 to the Shareholders, amounting to RMB794,250,000.

## CHAPTER II FINANCIAL POSITION AND ANALYSIS

## I. Financial Position for the First Half of 2020

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

	<b>As of June 30, 2020</b>	As of December 31, 2019
	<i>RMB in millions</i>	<i>RMB in millions</i>
Total assets	<b>20,850.5</b>	18,681.1
Net assets	<b>10,013.0</b>	10,220.7

As of June 30, 2020, the Group's total assets increase mainly due to: (1) increase of inventory, trade and bills receivable and cash and cash equivalents totalling to RMB1,796.8 million from daily operation; and (2) increase of net book value of RMB275.5 million as of June 30, 2020 for property, plant and equipment from consistent investment to the main factories.

As of June 30, 2020, the Group's net assets decrease mainly due to declaration of final dividend during the Reporting Period, amounting to RMB794,250,000.

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

	<b>Six months ended June 30, 2020</b>	Six months ended June 30, 2019
	<i>RMB in millions</i>	<i>RMB in millions</i>
Changes in cash and cash equivalents	<b>681.3</b>	-443.5

The cash inflows from operating activities for the six months ended June 30, 2020 was RMB1,075.3 million (six months ended June 30, 2019: RMB855.2 million).

No loan from or repayment to related parties during the period ended June 30, 2020 (six months ended June 30, 2019: loan repayment and interest payment of RMB828.9 million).

Final dividend was declared but not paid as of June 30, 2020 (six months ended June 30, 2019: RMB400.0 million dividend paid).

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

For the six months ended June 30, 2020, the net profit of Group was RMB696.6 million (six months ended June 30, 2019: RMB827.5 million).

	<b>Six months ended June 30, 2020</b>	Six months ended June 30, 2019
	%	%
Return on equity (ROE) <sup>(1)</sup>	<b>6.9</b>	10.2

For the six months ended June 30, 2020, the Group's ROE decreases due to: (1) the net profit of the Group decreased by RMB130.9 million compared to the corresponding period of the last year; and (2) the Group successfully listed on the Hong Kong Stock Exchange in the second half of 2019 and increased the net assets of the Group with the proceeds raised from the issuing of new shares at the end of 2019.

<sup>(1)</sup> *Calculated by the net profit of the Group for the period divided by the average of total equity at the beginning and the end of the period.*

## II. Investment in Core Assets to Promote the Upgrading of Production Lines in the First Half of 2020

In the first half of 2020, the Group has continued to promote the construction of the "Light Tower" Plants for global semi-trailer and the establishment of a comprehensive "sophisticated manufacturing system", and the related investment amounted to RMB200.0 million during the Reporting Period.

The core projects of the investment in the first half of 2020 was Semi-trailer "Light Tower" Plant in Yangzhou, Jiangsu Province with an investment of RMB200.0 million.

## III. Significant Investment during the Reporting Period

During the Reporting Period, 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

On June 12, 2020, the Company and CIMC Vehicle Investment Holdings Company Limited (中集車輛投資控股有限公司) (“**CIMC Vehicle Investment**”, a wholly-owned subsidiary of the Company), entered into the Tianjin Kangde Logistics Equipment Co., Ltd. (天津康德物流設備有限公司) (“**Tianjin Kangde**”) Equity Transfer Agreement I and the Tianjin Kangde Equity Transfer Agreement II with CIMC Unit Load Holdings Co., Ltd. (中集載具控股有限公司) (“**CIMC Unit Load**”, a wholly-owned subsidiary of CIMC Group, respectively, pursuant to which, the Company and CIMC Vehicle Investment agreed to transfer their respective 22.5% and 22.5% equity interests in Tianjin Kangde, and CIMC Unit Load agreed to acquire an aggregate of 45% equity interests in Tianjin Kangde, at a total consideration of approximately RMB14.4 million. On the same day, the Company and CIMC Vehicle Investment entered into the Tianjin CIMC Logistics Equipment Co., Ltd. (天津中集物流裝備有限公司) (“**Tianjin Logistics**”) Equity Transfer Agreement I and the Tianjin Logistics Equity Transfer Agreement II with CIMC Unit Load, respectively, pursuant to which, the Company and CIMC Vehicle Investment agreed to transfer their respective 20% and 25% equity interests in Tianjin Logistics, and CIMC Unit Load agreed to acquire an aggregate of 45% equity interests in Tianjin Logistics, at a total consideration of approximately RMB53.8 million. Please refer to the Company’s announcement dated June 12, 2020 for relevant information.

On June 23, 2020, Exploitatiemaatschappij Intraprogress B.V. (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with Beheermaatschappij “Burg” B.V. (a wholly-owned subsidiary of CIMC Group), pursuant to which Exploitatiemaatschappij Intraprogress B.V. agreed to purchase and Beheermaatschappij “Burg” B.V. agreed to sell the land located in No. 75-77 Katwijkerloan, Pijnacker, Rotterdam, the Netherlands, and the plant and equipment thereon (“**Land acquisition project in Dutch**”). The total consideration of the acquisition is EUR7,185,000 (approximately HK\$62,712,000), payable in cash. Please refer to the Company’s announcement dated June 23, 2020 for relevant information.

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

Save as disclosed in this report and in the “FEASIBILITY ANALYSIS REPORT ON THE PROCEEDS-FUNDED INVESTMENT PROJECTS FROM THE A SHARES OFFERING” as set out in the appendix I of the supplemental circular of the Company dated June 3, 2020, there was no plan approved by the Board for other future material investments or purchases of capital assets in the future at of the date of this report.

**VI. Use of Proceeds from the Global Offering in the First Half of 2020**

Since July 11, 2019 (the “**Listing Date**”), the H Shares of the Company have been listed and traded on the Hong Kong Stock Exchange. The 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 Hong Kong 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 of the Company is RMB1.00 per H Share.

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



The use of the net proceeds from the Global Offering and its utilization as of June 30, 2020, which are intended to be utilized in the next five years from the Listing Date, are as follows:

Intended Use of Net Proceeds	Original Intended Amount <i>(HK\$ in millions)</i>	Utilized Amount as of June 30, 2020 <i>(HK\$ in millions)</i>	Unutilized Amount as of June 30, 2020 <i>(HK\$ in millions)</i>
<b>Develop new manufacturing or assembly plants and upgrade the marketing model</b>	<b>1,102.7</b>	<b>78.2</b>	<b>1,024.5</b>
– 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	78.2	87.2
– Develop a new assembly plant for curtain-side trailers in the Midlands region of the UK	165.4	–	165.4
– Develop a new assembly plant for swap bodies and chassis and flatbed trailers in the Netherlands	105.3	–	105.3
– Develop a new assembly plant for refrigerated trailers in Canada	39.0	–	39.0
– Develop a new manufacturing plant in Jiangmen	87.0	–	87.0
– Upgrade the marketing model in China	99.6	–	99.6
<b>Research and develop new products</b>	<b>157.5</b>	<b>–</b>	<b>157.5</b>
– 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
<b>Repay the principal amount and interests of bank borrowings</b>	<b>157.5</b>	<b>153.8</b>	<b>3.7</b>
<b>Working capital and general corporate purposes</b>	<b>157.5</b>	<b>151.5</b>	<b>6.0</b>
<b>Total</b>	<b>1,575.2</b>	<b>383.5</b>	<b>1,191.7</b>

**VII. Liquidity and Financial Resources**

As of June 30, 2020, the Group had cash and cash equivalents of RMB4,472.5 million (December 31, 2019: RMB3,791.2 million). As of June 30, 2020, the Group had borrowings of RMB1,825.1 million (December 31, 2019: RMB1,654.7 million).

	<b>As of June 30, 2020</b>	As of December 31, 2019
	<i>RMB in millions</i>	<i>RMB in millions</i>
<b>Long-term borrowings</b>		
– Bank borrowings, guaranteed	–	88.5
<b>Short-term borrowings</b>		
– Bank borrowings	1,641.3	1,496.1
– Bank borrowings, guaranteed	183.1	62.6
– Loans from third parties, unguaranteed	0.7	2.2
– Discounted bills	–	5.3
	<u>1,825.1</u>	<u>1,566.2</u>
<b>Total borrowings</b>	<u><u>1,825.1</u></u>	<u><u>1,654.7</u></u>

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

	<b>As of June 30, 2020</b>	As of December 31, 2019
	<i>RMB in millions</i>	<i>RMB in millions</i>
Within one year	<b>1,825.1</b>	1,566.2
One to two years	<u>—</u>	<u>88.5</u>
<b>Total</b>	<b><u>1,825.1</u></b>	<b><u>1,654.7</u></b>

For the six months ended June 30, 2020, the Group's major cash inflow items include: net cash inflow generated from operating activities of RMB1,075.3 million (six months ended June 30, 2019: RMB855.2 million).

There is no seasonal variation in the Group's borrowing needs. As of June 30, 2020, the weighted average interest rate for short-term borrowings was 3.27% (December 31, 2019: 4.24%) per annum. Borrowings at fixed interest rates were approximately RMB890.4 million (December 31, 2019: RMB539.4 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 Public Offering. During the reporting period, 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 June 30, 2020, the Group had current assets of RMB14,251.8 million (December 31, 2019: RMB12,362.6 million), and current liabilities of RMB10,550.0 million (December 31, 2019: RMB8,121.2 million). As of June 30, 2020, the Group's current ratio was approximately 1.4 times (December 31, 2019: 1.5 times). The current ratio equals to total current assets divided by total current liabilities. The current ratio decreased slightly from that as of December 31, 2019.

### VIII. Capital Structure

During the Reporting Period, 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 June 30, 2020, the Group's gearing ratio (equal to total borrowings divided by total equity multiplied by 100%) was 18.2% (December 31, 2019: 16.2%). The increase in gearing ratio was mainly due to the increase of the Group's borrowings during the Reporting Period.

As of June 30, 2020, 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, Japanese Yen, 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 12 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, and considers appropriate hedging measures when necessary. As of June 30, 2020, the foreign exchange forward contracts held by the Group were mainly outstanding US dollar to Renminbi forward contracts with a notional amount of US\$12.0 million.

### IX. Capital Commitments

As of June 30, 2020, the Group's capital commitments were approximately RMB282.4 million (December 31, 2019: approximately RMB201.6 million), representing an increase of 40.1%, mainly because the Group has added a land acquisition project in Dutch and a land acquisition project in Zhenjiang. The Group has funded and will continue to fund a substantial portion of our capital commitments from operating cash flow and the proceeds from the Public Offering, and may utilize borrowings to provide required funds if a financing gap still exists. In the first half of 2020, our outstanding capital commitments were mainly attributable to: (1) the upgrading of factories and equipment; (2) the acquisition of target land and acquisition of the factory and equipment above to the target land.

**X. Pledge of the Group's Assets**

As of June 30, 2020, except for the pledge for certain bank deposits as disclosed in “Financial guarantees”, the Group had the carrying amount of RMB3.2 million of fixed assets pledged for the guarantees for property preservation in civil procedure (December 31, 2019: RMB3.2 million).

**XI. Contingent Liabilities****(1) Financial guarantees**

The Group entered into financial guarantee contracts relating to vehicle mortgage loans mainly with Huishang Bank, Postal Savings Bank of China, Zhongyuan Bank Co., Ltd., 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 June 30, 2020, the outstanding balance of the above guarantees provided by the Group to dealers and customers totalled RMB1,838.3 million (December 31, 2019: RMB1,786.0 million), and the bank deposits pledged for these guarantees were RMB143.3 million (December 31, 2019: RMB139.4 million).

**(2) Outstanding performance bond and letter of credit**

As of June 30, 2020, the Group had outstanding performance bond and letter of credit of a total of RMB7.4 million (December 31, 2019: RMB4.1 million).

**XII. Interim Dividend**

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2020.

**XIII. Significant Events Occurring After the Reporting Period*****Uncertainty of antidumping cases in the United States***

On July 30, 2020, American chassis trailer manufacturing enterprises and their industries submitted written applications to the United States International Trade Commission and the United States Department of Commerce, requesting an anti-dumping and anti-subsidy investigation into the chassis trailers and their components imported from China (“**Anti-dumping and Anti-subsidy Investigation**”). The United States International Trade Commission, which is responsible for the “Anti-dumping and Anti-subsidy Investigation”, has just started the investigation procedure, while the United States Department of Commerce, which is responsible for the dumping and subsidy investigation, has filed a case on August 19, 2020. The case is still at the initiation stage, and the subsequent investigation procedure may last for approximately 12 to 18 months, and therefore, the Board of Directors is unable to evaluate the results at the initial stage.

As of June 30, 2020, the overall impact of the above events on the financial statements cannot be reliably estimated. The Group will closely monitor the development of the above event and assess the impact of the event on the financial position and operating conditions of the Group.

**CHAPTER III BUSINESS PROSPECTS AND STRATEGY****I. Changes in Macro environment and Industrial Landscape in 2020**

In the 2019 Annual Report of the Company, the Group has made descriptions on “Changes in Macro Environment and Industrial Landscape” as follows:

“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”.

With the new national standard of second-generation semi-trailers 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.

Truck bodies for specialty vehicles, especially environmentally-friendly urban dump trucks bodies in China that the Group has vigorously operated, as well as light and durable cement mixer trucks benefit from the PRC 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.

After the COVID-19 epidemic, the PRC government has taken measures to effectively control the spread of the epidemic, and advance the resumption of work and production in an orderly manner, thus contributing to the robust recovery of economic growth.

After the COVID-19 epidemic, there would be a high demand for compliant urban dump trucks and cement mixer trucks.

After the COVID-19 epidemic, there would be a high demand for refrigerated van trailers and urban distribution trailers.”

Entering the second half of 2020, the “over-limit and overload” regulating efforts by the PRC government are turning the partial “upgrading” of semi-trailers in China to a comprehensive one.

Entering the second half of 2020, the US COVID-19 epidemic is continuously deteriorating, and the Sino-US trade war shows no signs of abating. The road to resumption of work in the United States appears to become longer and longer. As predicted at the beginning of 2020, the semi-trailer demand in the United States can only reach 70% of that in normal years. Europe is showing signs of a peak epidemic. As predicted at the beginning of the year, the semi-trailer demand in Europe can only reach 70% of that in normal years.

## II. Future Developments and Challenges

In the 2019 Annual Report of the Company, the Group has made descriptions on the “Future Developments and Challenges” as follows:

“The Group will ride on opportunities to strengthen its solid position in environmentally-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 of products; 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 well prepare for the forthcoming development.

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

The above description has fairly accurately reflected the Group’s action plan in China’s internal circular economy.



Entering the second half of 2020, the Group will promote the localized manufacturing of refrigerated trailers and chassis trailers in North America more actively. The Group will try to overcome the COVID-19 epidemic and keep the plants in operation by such major approaches as active investment in digital modeling design, upgrading of “Light Tower” Plants and investment in the global supply chain management system based on EPS (electronic procurement system) among the semi-trailer manufacturers in North America and Europe.

The Group will seize the opportunity of issuing additional A Shares at Shenzhen Stock Exchange, improve governance structure, build a long-term incentive mechanism for core talents, develop existing teams, and attract more fresh talents to join in and establish with concerted efforts CIMC Vehicles’ sophisticated manufacturing system based on the cornerstones of “Upgrade of the “Product Module”, Improvement of “Light Tower” Plants, Kick-off of “Sales and Marketing Transformation” and Promotion of the Organizational Development”.

### **III. Key Initiatives to Improve Long-Term Competitiveness: Comprehensive Establishment of CIMC Vehicles’ “Sophisticated Manufacturing System”**

In the 2019 Annual Report of the Company, the Group has described in details the specific initiatives on how to upgrade the product module, improve the “Light Tower” Plants, kick off the sales and marketing transformation and promote the organizational development in the section of “Manufacturing of Truck Bodies of Specialty Vehicles in China”. These specific initiatives are actually a concrete portrayal of the 4 cornerstones and 21 levers of CIMC Vehicles’ “sophisticated manufacturing system”.

In the opinion of the Group, the comprehensive establishment of CIMC Vehicles’ sophisticated manufacturing system will directly and greatly enhance the Group’s long-term competitiveness, as well as rapidly increase the Group’s profitability when macro environment is favorable; and it will also strengthen the Group’s resilience in the face of challenges such as the COVID-19 epidemic.

The Group has formulated the work plan for comprehensively establishing CIMC Vehicles’ sophisticated manufacturing system in the three years of 2020-2022.

## 1. Manufacturing of Truck Bodies of Specialty Vehicles in China

### 1) Upgrade of “Product Module”

Build up the digital design model for the second-generation dump trucks <sup>Note 1</sup>; build up the digital design model for the second-generation light and durable cement mixer trucks, establish digital DE teams <sup>Note 2</sup> in six manufacturers of the truck bodies of specialty vehicles, and fully apply for NX and PLM platform.

### 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.

The Group has built one more “Light Tower” plant 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		○
Luoyang City, Henan Province (New)		●

In order to promote the operating efficiency of “Light Tower” plants, the Group will establish the “Light Tower” ME teams <sup>Note 3</sup> in these six enterprises.

*Note 1: Digital design modelling means modular planning of products, and use of digital modelling for design and even indicating the manufacturing details, mainly through NX (3D modeling software) and PLM (product life cycle management system).*

*Note 2: DE teams means design engineering team. As the Group is making efforts to promote digital design modelling, in such context, DE also means design through digital design modelling.*

*Note 3: ME teams means the manufacture engineering team.*

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*

The Group endeavors to cultivate general managers of the enterprises into entrepreneurs, establishes digital DE teams and “Light Tower” ME teams in these enterprises, implement the Post Allowance System <sup>Note 4</sup>, and encourage the enterprises to expand the market creatively, thereby upgrading into a “Consortium” <sup>Note 5</sup>.

**2. *Manufacturing of Bodies for Refrigerated Van Trucks in China***

The rapid popularization of fresh food distribution has not only boosted the demand for refrigerated van trucks with refrigerator, but also contributed to the fast-growing demand for 4.2 meters long heat-insulating urban distribution trucks without refrigerator. While establishing the sophisticated manufacturing system for production of bodies for refrigerated van trucks in China, the Group has also taken into account the extension of production bases to achieve effective coverage of the market.

*Note 4: Post Allowance System means putting certain annual assessment bonuses into the post allowance pool, which are distributed to core DE, ME and various core and management personnel on a monthly basis.*

*Note 5: Consortium refers in particular to a small semi-trailer and specialty vehicle manufacturing group consisting of several (generally 2-3) enterprises of the Group with a focus on synergy. In the 18-year global operation of the Group, three enterprises have the strong ability to grow organically and seize market opportunities, as well as a galaxy of talents. The Group encourages such enterprises to “grow organically”, and expand their product portfolio locally and establish assembly plants in different places. The most productive consortium is Shenzhen CIMC Special Vehicle Consortium (SCVC), which started its operation in Shenzhen in 2004 and currently effectively manages and controls four enterprises.*

1) *Upgrade of “Product Module”*

Build up the digital design models for model 960 and model 420 refrigerated trucks, and establish the corporate-level digital DE teams.

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

A. The production of bodies for refrigerated van trucks is closely related to light truck 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.

B. Besides, the Group will establish the “New Retail Team” <sup>Note 6</sup> to actively promote the “JNKOGEL” and “Greenbody” series trucks to end customers.

4) *Promotion of the Organizational Development*

The Group endeavors to cultivate general managers of the enterprises into entrepreneurs, establishes digital DE teams and “Light Tower” ME teams in these enterprises, implement the Post Allowance System <sup>Note 4</sup>, and encourage the enterprises to expand the market creatively, thereby upgrading into a “Consortium” <sup>Note 5</sup>.

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*Note 6: New Retail Team means a professional sales team established for promoting new retail. For the new retail, the Group aims to get closer to users. Pioneering stores, professional sales teams and the network of partners form an ecosphere recursively, through the new retail of the Group. An advanced CRM (customer relationship management) platform is used for management and promotion.*

### 3. *Trailer Business in China*

The Group is comprehensively developing the second-generation trailer product platform, and based on this new product platform, the Group will launch the “Trailer Vanguard” series products on the China market.

#### 1) *Upgrade of “Product Module”*

The second-generation trailer is composed of three Level 1 modules (cargo platform module, trailer chassis module and travelling mechanism module).

Major Levers of Cornerstone 1:

Lever 11 · Sort out the Level 1 module of #1-#6 trailers.

Lever 12 · Define the Level 2 and Level 3 modules under the Level 1 module.

Lever 13 · Optimize the Level 2 and Level 3 modules by surrounding the five dimensions of “light weight, pretty appearance, high cost-performance ratio, long service life and easy maintenance”.

Lever 14 · Carry out digital modeling design of the optimized Level 2 and Level 3 modules.

Lever 15 · Build the Product Configurator.

Lever 16 · Use PLM to manage the above process and Level 2 and Level 3 product modules.

## 2) *Improvement of “Light Tower” Plants*

Advantages of the “Light Tower” Plants: Good product quality, high material utilization, high production efficiency, and no worries about environmental protection.

Limitations of the “Light Tower” Plants: Batch production, modularized work pieces and perfect materials management must be available.

Major Levers of Cornerstone 2:

Lever 21 · Develop the high-precision uncoiling, blanking and stamping ability.

Lever 22 · For highly repetitive welding work, set the automated welding device or robotic welding station.

Lever 23 · Set the electrophoretic primer device with low VOCs emissions.

Lever 24 · Establish the automated spraying device and the powder spraying workstation controlled by robots.

Lever 25 · Adopt the tact-system production line for the modularized Level 1 module.

Lever 26 · Establish the digital management process and label for the modularized modules and the product configurator for trailer products.

3) *Kick-off of “New Retail” for Vanguard Series Products*

Major Levers of Cornerstone 3:

Lever 31 · Establish new retail sales teams.

Lever 32 · Establish Vanguard stores in a planned way.

Lever 33 · Establish a “new retail partner network” in a planned way.

Lever 34 · Build the cost model, gross profit calculation sheet and quotation model of Vanguard series products.

Lever 35 · Establish the national quality warranty and maintenance partner network for Vanguard series products to realize the life-cycle guarantee of Vanguard series products as well as the realization and increase of product value.

4) *Promotion of the Organizational Development*

Organizational developments refers to a series of organizational measures for safeguarding the realization of the product modules for Vanguard series trailers and the construction of “Light Tower” Plants and New Retail.

Major Levers of Cornerstone 4:

Lever 41 · Establish the digital DE teams.

Lever 42 · Establish the ME teams for “Light Tower” Plants.

Lever 43 · Develop the “terminal to terminal” organizational structure in “Light Tower” Plants.

Lever 44 · Establish the supporting mechanism for the Company’s sophisticated semi-trailer manufacturing system:

- (1) Promote the “Budget 2020” Operating Procedures.
- (2) Promote the “Cash 2020” Operating Procedures.
- (3) Promote the “Assessment 2020” Operating Procedures.
- (4) Promote the “Incentive 2020” Operating Procedures.

#### 4. *Trailer Business in North America and Europe*

In the 2019 Annual Report of the Company, the Group described in detail how to build a sophisticated semi-trailer manufacturing system in North America and Europe, and strengthened the connotation of the four cornerstones. The details were as follows:

##### 1) *Upgrade of “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"

A. Broaden the brand coverage:

Broaden the semi-trailer brands in North America { Vanguard · National Trailer  
Vanguard Reefer Trailer  
Vanguard Parts

Coverage of Vanguard

Broaden the semi-trailer brands in England { SDC Trailer  
SDC Parts

Coverage of SDC

B. Create brands and product series that are in line with local manufacturing:

- (1) CIE has been changed into CIE Manufacturing.
- (2) Chassis Pioneer series of products are launched by CIE Manufacturing.

C. New retail activities are initiated on Salesforce.

## 4) *Promotion of the Organizational Development*

- A. Promote organizational development of CIE Manufacturing, by establishing a digital DE team, “Light Tower” ME team and an EPS team, which, together with other professional teams of the Group, create a sophisticated manufacturing system.
- B. Promote organizational development of SDC, according to the path of transformation and upgrade of CIE Manufacturing.
- C. Construct a supporting system of main enterprises such as Vanguard, LAG, CRTI, CIE and SDC, for the sophisticated semi-trailer manufacturing system of CIMC Vehicles:
  - (1) Measures to promote the “Budget 2020”.
  - (2) Measures to promote the “Cash 2020”.
  - (3) Measures to promote the “Assessment 2020”.
  - (4) Measures to promote the “Incentive 2020”.
- D. Establish the “North American Night Beacon Group” and the “European Night Beacon Group” to regularly communicate on how to resume work and production during the COVID-19 outbreak.

## **EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME**

As at June 30, 2020, the Group had approximately 12,432 full-time employees (the corresponding period of 2019: 14,218). The decrease in the number of employees was mainly due to organizational adjustments and production adjustments at some manufacturing plants. During the Reporting Period, the employee benefits expenses amounted to approximately a total of RMB973.6 million (the corresponding period of 2019: RMB993.2 million). 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 also apply for subsidies to participate in relevant professional trainings offered by recognized institutions.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

**SHARE CAPITAL**

As of June 30, 2020, the Company had 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, which had no changes during the Reporting Period.

As at June 30, 2020, 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 <sup>1</sup>	298,920,000	16.94%
H Shares issued under the Global Offering	265,000,000	15.01%
Total	1,765,000,000	100%

<sup>1</sup> 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 June 30, 2020, 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 Hong Kong 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 Hong Kong 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 <sup>(1)</sup>	Domestic Shares	99,037,500	Long position	8.25%	5.61%
Wang Yu	Interest in controlled corporation <sup>(2)</sup>	Domestic Shares	75,877,500	Long position	6.32%	4.30%
Zeng Beihua	Interest in controlled corporation <sup>(2)</sup>	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 Mr. Li 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**

<b>Associated corporation</b>	<b>Class of Shares held in the associated corporation</b>	<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate percentage of shareholding</b>
CIMC Group	A shares	Mai Boliang	Beneficial owner <i>(Note 1)</i>	4,013,643	0.26% <i>(Note 2)</i>
		Wang Yu	Beneficial owner <i>(Note 1)</i>	300,000	0.02% <i>(Note 2)</i>
CIMC Enric	Ordinary shares	Mai Boliang	Beneficial owner	7,260,000	0.36% <i>(Note 3)</i>
		Wang Yu	Beneficial owner	400,000	0.02% <i>(Note 3)</i>
		Zeng Beihua	Beneficial owner	280,000	0.01% <i>(Note 3)</i>
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 <i>(Note 4)</i>	10,000,000	5.00%
		Zeng Beihua	Interest in controlled corporation <i>(Note 4)</i>	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 <i>(Note 5)</i>	1,200,000	17.14%

## 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 Group, 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 Group under the A share(s) option incentive scheme adopted by the Company's associated corporation, CIMC Group. 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 1,526,182,872 shares of CIMC Group as of June 30, 2020.*
3. *The approximate percentage of shareholding is calculated based on the total issued ordinary share capital of 2,010,484,588 shares of CIMC Enric as of June 30, 2020.*
4. *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. (江蘇掛車幫租賃有限公司), which is owned directly and indirectly by the Company as to 55% of its shares.*
5. *Mr. 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 17.14% 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 owned by the Company as to 28% of its shares.*

**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS**

As of June 30, 2020, to the knowledge of Directors, the following persons other than the Directors, Supervisors and Chief Executive of the Company 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 Group	Beneficial owner	Domestic Shares	664,950,000	Long position	55.36%	37.67%
	Interest in controlled corporation <sup>(1)</sup>	H Shares	284,985,000	Long position	50.54%	16.15%
Ping An Decheng	Interest in controlled corporation <sup>(2)</sup>	Domestic Shares	413,932,500	Long position	34.46%	23.45%
Ping An Financial	Interest in controlled corporation <sup>(2)</sup>	Domestic Shares	413,932,500	Long position	34.46%	23.45%
Ping An Group	Interest in controlled corporation <sup>(2)</sup>	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 <sup>(3)</sup>	Domestic Shares	252,330,000	Long position	21.01%	14.30%
Nanshan Group	Interest in controlled corporation <sup>(3)</sup>	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%

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
Ping An Life Insurance	Interest in controlled corporation <sup>(4)</sup>	Domestic Shares	161,602,500	Long position	13.45%	9.16%
Ping An Health Partnership	Interest in controlled corporation <sup>(4)</sup>	Domestic Shares	161,602,500	Long position	13.45%	9.16%
Shenzhen Sidao Branch Investment Co., Ltd. (深圳市思道科技投資有限公司)	Interest in controlled corporation <sup>(4)</sup>	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 <sup>(4)</sup>	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 <sup>(5)</sup>	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 <sup>(6)</sup>	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 <sup>(6)</sup>	H Shares	42,556,500	Long position	7.55%	2.41%
Wang Xicheng	Interest in controlled corporation <sup>(6)</sup>	H Shares	42,557,500	Long position	7.55%	2.41%
GIC Private Limited	Investment manager	H Shares	35,588,000	Long position	6.31%	2.02%



**Notes:**

- (1) *CIMC Hong Kong is a wholly owned subsidiary of CIMC Group and therefore CIMC Group 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 also 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 holds 51% of the equity interest of Elite Faith Trading Limited and therefore Mr. Wang Xicheng is also deemed to be interested in 1,000 H Shares held by Elite Faith Trading Limited.*

### **ADVANCE TO AN ENTITY**

As of June 30, 2020, there was no advance extended by the Company to an entity which is subject to disclosure requirements under the Listing Rules.

### **PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS**

As of June 30, 2020, there was no pledge of Shares by the Controlling Shareholders.

### **LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS**

As of June 30, 2020, there was no loan agreement of the Company with covenants relating to specific performance of the Controlling Shareholders.

### **BREACH OF LOAN AGREEMENTS**

As of June 30, 2020, 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**

As of June 30, 2020, there was no financial assistance and guarantee to affiliated companies by the Company which is subject to disclosure requirements under the Listing Rules.

### CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

The following are the changes in information of Directors disclosed pursuant to the requirements of Rule 13.51B(1) of the Listing Rules:

1. Mr. Cheng Hok Kai Frederick, an independent non-executive Director, has been appointed as an independent non-executive Director of JiaXing Gas Group Co., Ltd. (listed on the Hong Kong Stock Exchange on July 16, 2020 (stock code: 9908)) and also served as the Chairman of the Audit Committee and a member of the Remuneration Committee of JiaXing Gas Group Co., Ltd. on September 23, 2019.
2. Mr. Cheng Hok Kai Frederick, an independent non-executive Director, has been appointed as an independent non-executive Director and the Chairman of the Audit Committee of China Shun Ke Long Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 974)) on July 27, 2020.
3. On August 27, 2020, the Board resolved that (1) Mr. Mai Boliang, the chairman of the Board and a non-executive Director, ceased to be the chairman of the Nomination Committee but continued to be a member of the Nomination Committee; and (2) Mr. Feng Jinhua, an independent non-executive Director, was appointed as the chairman of the Nomination Committee. The above resolutions shall come into effect from August 27, 2020 with their terms of office in line with those of the Directors.

Save as disclosed above, 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 as of the date of this report.

### SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a set of code of conduct on terms no less exacting than the required standards set out in the Model Code in connection with securities transactions by the Directors and Supervisors. Upon the enquiries made to all Directors and Supervisors, they confirmed that they have complied with the standards for securities transactions by the directors and supervisors as set out in the Model Code and the code of conduct during the Reporting Period.

## CORPORATE GOVERNANCE

### Corporate Governance Practices

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 complied with the code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange during the Reporting Period.

### 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 interim financial information of the Company for the six months ended June 30, 2020 is unaudited but has been reviewed by PricewaterhouseCoopers, the independent auditor of the Company, and the Audit Committee. The Audit Committee has also reviewed the accounting policies, accounting standards and practices adopted by the Company, and discussed with the Company on the risk management, internal control systems and financial reporting matters. The Audit Committee has no disagreement on the accounting treatment adopted by the Company.

## MAJOR LITIGATION AND ARBITRATION

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 the subsidiary of the Company, 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 the Group's business, financial condition or results of operations.

As of the date of this report, Sichuan CIMC has applied to the Sichuan Higher People's Court for retrial, and the Sichuan Higher People's Court has instructed the Chengdu Intermediate People's Court of Sichuan Province to retry the case. The Chengdu Intermediate People's Court of Sichuan Province has issued a retrial judgment, which adjudges the revocation of the original judgment and rejects the claims of Ping An Bank. Ping An Bank has appealed to the Sichuan Higher People's Court.

Save as disclosed above, during the Reporting Period, the Group is not involved in any material litigation, arbitration or administrative proceedings, nor any such material litigation, arbitration or administrative proceedings are pending or threatened against the members of the Group.

### **INTERIM DIVIDEND**

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2020.

### **PUBLICATION AND DESPATCH OF INTERIM REPORT**

This report is also published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cimcvehiclesgroup.com](http://www.cimcvehiclesgroup.com)), respectively, and this report which contains all the information required by the Listing Rules will be despatched to the Shareholders of the Company in due course.



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF CIMC VEHICLES (GROUP) CO., LTD.**  
(incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 54 to 96 which comprises the interim condensed consolidated balance sheet of CIMC Vehicles (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, August 27, 2020

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		Six months ended June 30,	
		2020	2019
		RMB'000	RMB'000
Revenue	5	11,154,962	12,605,058
Cost of sales	6	<u>(9,877,212)</u>	<u>(11,010,113)</u>
<b>Gross profit</b>		<b>1,277,750</b>	<b>1,594,945</b>
Selling and distribution expenses	6	(296,396)	(269,378)
Administrative expenses	6	(481,670)	(605,325)
Net impairment (losses)/reversal on financial assets and financial guarantee contracts		(50,628)	2,964
Other income	7	258,873	178,746
Other gains – net	8	<u>74,055</u>	<u>74,311</u>
<b>Operating profit</b>		<b>781,984</b>	<b>976,263</b>
Finance income	9	25,074	41,440
Finance costs	9	<u>(36,750)</u>	<u>(61,045)</u>
Finance costs – net	9	(11,676)	(19,605)
Share of net profits of associates and joint ventures accounted for using the equity method		<u>11,346</u>	<u>5,381</u>
<b>Profit before income tax</b>		<b>781,654</b>	<b>962,039</b>
Income tax expense	10	<u>(85,049)</u>	<u>(134,514)</u>
<b>Profit for the period</b>		<b><u>696,605</u></b>	<b><u>827,525</u></b>
<b>Attributable to:</b>			
Owners of the Company		635,412	752,083
Non-controlling interests		<u>61,193</u>	<u>75,442</u>
		<b><u>696,605</u></b>	<b><u>827,525</u></b>
<b>Earnings per share (expressed in RMB per share)</b>			
– Basic and diluted	12	<u>0.36</u>	<u>0.50</u>

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>696,605</b>	<b>827,525</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that maybe reclassified to profit or loss</i>		
Currency translation differences	<u>(45,695)</u>	<u>7,247</u>
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<u>(45,695)</u>	<u>7,247</u>
<b>Total comprehensive income for the period</b>	<u><b>650,910</b></u>	<u><b>834,772</b></u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>589,936</b>	<b>758,509</b>
Non-controlling interests	<u><b>60,974</b></u>	<u><b>76,263</b></u>
	<u><b>650,910</b></u>	<u><b>834,772</b></u>

The notes on pages 62 to 96 are an integral part of this interim condensed consolidated financial information.



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited As of June 30, 2020 RMB'000</b>	<b>Audited As of December 31, 2019 RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	4,291,579	4,016,070
Right-of-use for land use rights	14	741,477	746,961
Right-of-use assets	14	165,450	136,938
Investment properties		386,846	382,659
Intangible assets	15	521,858	554,772
Investments accounted for using the equity method		200,517	252,287
Deferred tax assets		181,082	169,667
Other non-current assets		109,936	59,178
		<u>6,598,745</u>	<u>6,318,532</u>
<b>Current assets</b>			
Inventories	16	4,216,195	3,829,425
Tax recoverable		98,679	117,581
Other current assets		8,005	12,227
Contract costs		2,561	10,668
Trade and bill receivables	17	3,032,847	2,304,107
Prepayments and other receivables	18	565,640	650,331
Financial assets at fair value through profit or loss		206,310	215,255
Financial assets at fair value through other comprehensive income		1,305,939	1,059,722
Derivative financial instruments		32	778
Restricted cash		280,101	278,780
Cash and cash equivalents		4,472,477	3,791,161
		<u>14,188,786</u>	<u>12,270,035</u>
Assets held for sale		62,996	92,517
		<u>14,251,782</u>	<u>12,362,552</u>
<b>Total assets</b>		<u><u>20,850,527</u></u>	<u><u>18,681,084</u></u>

		<b>Unaudited</b>	Audited
		<b>As of</b>	As of
	<i>Note</i>	<b>June 30,</b>	December 31,
		<b>2020</b>	2019
		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	–	88,500
Lease liabilities	14	140,742	96,031
Deferred income		23,048	25,659
Long-term payables		108	562
Deferred tax liabilities		<u>123,615</u>	<u>128,483</u>
		<u>287,513</u>	<u>339,235</u>
<b>Current liabilities</b>			
Derivative financial instruments		739	–
Trade and bill payables	20	4,601,352	3,617,559
Other payables and accruals	21	2,962,775	2,001,109
Contract liabilities		783,136	524,557
Borrowings	19	1,825,105	1,566,176
Lease liabilities	14	12,157	27,276
Income tax liabilities		141,917	117,124
Provisions	22	163,194	125,417
Deferred income		<u>59,605</u>	<u>141,957</u>
		<u>10,549,980</u>	<u>8,121,175</u>
<b>Total liabilities</b>		<u><b>10,837,493</b></u>	<u><b>8,460,410</b></u>
<b>Net assets</b>		<u><b>10,013,034</b></u>	<u><b>10,220,674</b></u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	<i>Note</i>	<b>Unaudited As of June 30, 2020 RMB'000</b>	<b>Audited As of December 31, 2019 RMB'000</b>
<b>EQUITY</b>			
Share capital		1,765,000	1,765,000
Reserves		3,639,195	3,682,651
Retained earnings		<u>4,144,026</u>	<u>4,302,864</u>
<b>Equity attributable to owners of the Company</b>		<b>9,548,221</b>	9,750,515
<b>Non-controlling interests</b>		<u>464,813</u>	<u>470,159</u>
<b>Total equity</b>		<b><u>10,013,034</u></b>	<b><u>10,220,674</u></b>

The notes on pages 62 to 96 are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information was approved by the Board of Directors on August 27, 2020 and was signed on its behalf.

**Mai Boliang**

*Chairman*

**Li Guiping**

*Director*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total
	Note	Share capital	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at January 1, 2019</b>		1,500,000	2,390,316	3,597,364	7,487,680	460,029	7,947,709
<b>Comprehensive income</b>							
Profit for the period		-	-	752,083	752,083	75,442	827,525
Currency translation differences		-	6,426	-	6,426	821	7,247
<b>Total comprehensive income for the period</b>		-	6,426	752,083	758,509	76,263	834,772
<b>Transactions with owners in their capacity as owners</b>							
Acquisition of non-controlling interests in non-wholly owned subsidiaries		-	(7,028)	2,072	(4,956)	(82,769)	(87,725)
Dividends		-	-	(400,000)	(400,000)	(33,144)	(433,144)
Others		-	1,086	-	1,086	-	1,086
<b>Total transactions with owners in their capacity as owners</b>		-	(5,942)	(397,928)	(403,870)	(115,913)	(519,783)
<b>Balance at June 30, 2019</b>		<u>1,500,000</u>	<u>2,390,800</u>	<u>3,951,519</u>	<u>7,842,319</u>	<u>420,379</u>	<u>8,262,698</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Unaudited						
	Attributable to owners of the Company					Non- controlling interests	Total
	Note	Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Sub-total <i>RMB'000</i>		
<b>Balance at January 1, 2020</b>		1,765,000	3,682,651	4,302,864	9,750,515	470,159	10,220,674
<b>Comprehensive income</b>							
Profit for the period		-	-	635,412	635,412	61,193	696,605
Currency translation differences		-	(45,476)	-	(45,476)	(219)	(45,695)
<b>Total comprehensive income for the period</b>		-	(45,476)	635,412	589,936	60,974	650,910
<b>Transactions with owners in their capacity as owners</b>							
Dividends		-	-	(794,250)	(794,250)	(69,552)	(863,802)
Others		-	2,020	-	2,020	3,232	5,252
<b>Total transactions with owners in their capacity as owners</b>		-	2,020	(794,250)	(792,230)	(66,320)	(858,550)
<b>Balance at June 30, 2020</b>		<u>1,765,000</u>	<u>3,639,195</u>	<u>4,144,026</u>	<u>9,548,221</u>	<u>464,813</u>	<u>10,013,034</u>

The notes on pages 62 to 96 are an integral part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Net cash generated from operating activities</b>	<b>1,075,272</b>	855,177
<b>Net cash used in investing activities</b>	<b>(472,246)</b>	(70,117)
<b>Net cash generated from/(used in) financing activities</b>	<b>47,316</b>	(1,234,880)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>650,342</b>	(449,820)
Cash and cash equivalents at the beginning of the period	<b>3,791,161</b>	2,616,979
Exchange gains on cash and cash equivalents	<b>30,974</b>	6,344
<b>Cash and cash equivalents at the end of period</b>	<b><u>4,472,477</u></b>	<b><u>2,173,503</u></b>

The notes on pages 62 to 96 are an integral part of this interim condensed consolidated financial information.

## 1 GENERAL INFORMATION

CIMC Vehicles (Group) Co., Ltd. (the “Company”) is a sino-foreign joint venture approved for incorporation by Wai Jing Mao Shen He Zi Zheng Zi (1996) No. 0861 issued by the People’s Government of Shenzhen on August 9, 1996. 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.

The interim condensed consolidated balance sheet as of June 30, 2020, and the related interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved for issue by the Board of Directors (“Board”) on August 27, 2020.

The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and included in the 2019 annual report of the Company.

Except as described below, the accounting policies applied are consistent with those of the Group’s consolidated financial statements for the year ended December 31, 2019.

### (b) New and amended standards adopted

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

Management’s preliminary assessment is that the application of the above standards, interpretations and amendments will not have a material impact on the Group.

### (c) New and amended standards not yet adopted

A number of new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2020.

These new and amended accounting standards have been published that are not mandatory for June 30, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.



### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2019.

There have been no changes in the risk management policies since year end.

#### **Fair value estimation**

The table below analyzes the Group's financial instruments carried at fair value as of June 30, 2020 and December 31, 2019 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).

**3 FINANCIAL RISK MANAGEMENT** *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as of June 30, 2020 and December 31, 2019.

As of June 30, 2020	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial assets:</b>				
Derivative financial instruments	–	32		32
Financial assets at fair value through profit or loss (a)	–	–	206,310	206,310
Financial assets at fair value through other comprehensive income (b)	–	–	1,305,939	1,305,939
	<u>–</u>	<u>32</u>	<u>1,512,249</u>	<u>1,512,281</u>
<b>Financial liabilities:</b>				
Derivative financial instruments	–	739	–	739
	<u>–</u>	<u>739</u>	<u>–</u>	<u>739</u>
As of December 31, 2019	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial assets:</b>				
Derivative financial instruments	–	778	–	778
Financial assets at fair value through profit or loss (a)	–	–	215,255	215,255
Financial assets at fair value through other comprehensive income (b)	–	–	1,059,722	1,059,722
	<u>–</u>	<u>778</u>	<u>1,274,977</u>	<u>1,275,755</u>

There were no transfers among Levels 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

- (a) Financial assets at fair value through profit or loss represented wealth management products. The following table presents the changes in level 3 instruments of financial asset at fair value through profit or loss for the period ended June 30, 2020.

	<b>Six months ended June 30, 2020 RMB'000</b>
<b>Opening balance December 31, 2019</b>	<b>215,255</b>
Changes in fair value	<b>(11,536)</b>
Currency translation differences	<b>2,591</b>
<b>Closing balance June 30, 2020</b>	<b>206,310</b>

- (b) Financial assets at fair value through other comprehensive income were bill receivables held for collection of contractual cash flows and for selling.

### 4 SEGMENT INFORMATION

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

- The PRC;
- North America;
- Europe; and
- Other regions.

The Group currently does not allocate assets and liabilities to its segments, as the president 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.

**4 SEGMENT INFORMATION** *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the periods is as follows:

	Unaudited				
	Six months ended June 30, 2020				
	The PRC	North	Europe	Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of vehicles	7,668,975	1,614,881	560,666	396,462	10,240,984
Sales of parts and components	307,997	299,429	147,332	3,677	758,435
Other revenue	87,635	–	51,502	16,406	155,543
Revenue in total	<u>8,064,607</u>	<u>1,914,310</u>	<u>759,500</u>	<u>416,545</u>	<u>11,154,962</u>
Cost of sales of vehicles	(6,862,155)	(1,405,099)	(531,081)	(335,262)	(9,133,597)
Cost of sales of parts and components	(270,122)	(277,976)	(101,342)	(1,836)	(651,276)
Cost of other revenue	(38,699)	–	(40,833)	(12,807)	(92,339)
Cost in total	<u>(7,170,976)</u>	<u>(1,683,075)</u>	<u>(673,256)</u>	<u>(349,905)</u>	<u>(9,877,212)</u>
<b>Gross profit</b>	<u><u>893,631</u></u>	<u><u>231,235</u></u>	<u><u>86,244</u></u>	<u><u>66,640</u></u>	<u><u>1,277,750</u></u>
	Unaudited				
	Six months ended June 30, 2019				
	The PRC	North	Europe	Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of vehicles	7,253,786	2,691,781	1,131,199	586,659	11,663,425
Sales of parts and components	284,963	341,006	161,799	8,590	796,358
Other revenue	75,481	–	65,329	4,465	145,275
Revenue in total	<u>7,614,230</u>	<u>3,032,787</u>	<u>1,358,327</u>	<u>599,714</u>	<u>12,605,058</u>
Cost of sales of vehicles	(6,454,040)	(2,290,083)	(1,032,040)	(499,941)	(10,276,104)
Cost of sales of parts and components	(225,914)	(317,950)	(113,865)	(6,872)	(664,601)
Cost of other revenue	(19,880)	–	(47,503)	(2,025)	(69,408)
Cost in total	<u>(6,699,834)</u>	<u>(2,608,033)</u>	<u>(1,193,408)</u>	<u>(508,838)</u>	<u>(11,010,113)</u>
<b>Gross profit</b>	<u><u>914,396</u></u>	<u><u>424,754</u></u>	<u><u>164,919</u></u>	<u><u>90,876</u></u>	<u><u>1,594,945</u></u>

**4 SEGMENT INFORMATION** (continued)

	Unaudited	
	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment gross profit</b>	<b>1,277,750</b>	1,594,945
Selling and distribution expenses	<b>(296,396)</b>	(269,378)
Administrative expenses	<b>(481,670)</b>	(605,325)
Net impairment (losses)/reversal on financial assets and financial guarantee contracts	<b>(50,628)</b>	2,964
Other income	<b>258,873</b>	178,746
Other gains – net	<b>74,055</b>	74,311
Finance costs – net	<b>(11,676)</b>	(19,605)
Share of net profits of associates and joint ventures accounted for using the equity method	<b>11,346</b>	5,381
Income tax expense	<b>(85,049)</b>	(134,514)
<b>Profit for the period</b>	<b>696,605</b>	827,525

During the period, there was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue.

**5 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:

	Unaudited	
	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contract with customers:</b>		
Sales of vehicles	<b>10,240,984</b>	11,663,425
Sales of parts and components	<b>758,435</b>	796,358
Other revenue	<b>108,422</b>	114,493
	<b>11,107,841</b>	12,574,276
Recognised at a point in time	<b>11,037,528</b>	12,504,709
Recognised over time	<b>70,313</b>	69,567
<b>Revenue from other sources</b>		
Rental income	<b>47,121</b>	30,782
	<b>11,154,962</b>	12,605,058

**6 EXPENSES BY NATURE**

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended June 30,</b>	
		<b>2020</b>	<b>2019</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods and work in progress		<b>(221,702)</b>	(171,195)
Raw materials and consumables used		<b>8,969,618</b>	10,136,465
Employee benefits expenses		<b>973,570</b>	993,176
Depreciation of property, plant and equipment	<i>13</i>	<b>164,414</b>	140,715
Depreciation of right-of-use assets	<i>14</i>	<b>13,568</b>	10,835
Amortisation of right-of-use for land use rights	<i>14</i>	<b>8,582</b>	7,728
Amortisation of intangible assets	<i>15</i>	<b>11,216</b>	10,686
Provision for impairment of inventories	<i>16</i>	<b>43,431</b>	9,232
Impairment of goodwill	<i>15</i>	<b>4,752</b>	–
Testing fee		<b>32,783</b>	32,721
Shipping and handling expenses		<b>160,940</b>	181,941
Utilities		<b>86,441</b>	89,371
Processing and repair expenses		<b>106,108</b>	99,270
Auditor's remuneration		<b>1,300</b>	4,472
Tax fee		<b>53,423</b>	64,020
Warranty expenses		<b>54,561</b>	40,398
Consultancy and professional service fees		<b>21,266</b>	42,652
Entertainment expenses		<b>20,765</b>	27,945
Travelling expenses		<b>26,792</b>	38,576
Listing expenses		–	12,302
Rentals		<b>14,347</b>	8,690
Other expenses		<b>109,103</b>	104,816
<b>Total cost of sales, selling and distribution expenses and administrative expenses</b>		<b>10,655,278</b>	11,884,816

**7 OTHER INCOME**

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants	187,021	68,630
Disposal of scraps and wastes	54,804	52,729
Others	17,048	57,387
	<u>258,873</u>	<u>178,746</u>

**8 OTHER GAINS – NET**

	<b>Unaudited</b>	
	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Fair value gain on investment properties	4,266	231
Net foreign exchange gains	32,690	2,044
Gains on disposal of property, plant and equipment and intangible assets	34,604	57,348
Write-off of payables	1,609	4,364
Gains on disposal of financial assets/liabilities at fair value through profit or loss and derivative financial instruments	504	5,973
Net fair value losses on financial assets/liabilities at fair value through profit or loss and derivative financial instruments	(13,021)	(3,298)
Penalty income	2,940	4,669
Gain on remeasurement of previously held interests due to acquisition of control over an associate	1,014	–
Others	9,449	2,980
	<u>74,055</u>	<u>74,311</u>

**9 FINANCE COSTS – NET**

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Finance costs:</b>		
– Interest expense	33,452	61,045
– Interest and finance charges payable for lease liabilities	<u>3,298</u>	<u>–</u>
	<u>36,750</u>	<u>61,045</u>
<b>Finance income</b>		
– Interest income	<u>(25,074)</u>	<u>(41,440)</u>
Finance cost, net	<u><u>11,676</u></u>	<u><u>19,605</u></u>

**10 INCOME TAX EXPENSE**

The income tax expense of the Group during the period are analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	101,428	147,627
Deferred income tax	<u>(16,379)</u>	<u>(13,113)</u>
<b>Income tax expense</b>	<u><u>85,049</u></u>	<u><u>134,514</u></u>

**(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 period, based on the existing legislation, interpretations and practices in respect thereof.



**10 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% (2019: 15% to 30%).

**(c) Preferential EIT rate**

Certain subsidiaries of the Group in the PRC are approved as "high and new technology enterprise" or established and engaged in the promoted industries in western regions and accordingly, they are subject to a reduced preferential corporate income tax rate of 15% for the period.

**11 DIVIDENDS**

Dividend declared and paid by the Company to the shareholders are as follows:

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Dividends payable:		
At the beginning of the period	—	—
Dividend declared	<b>794,250</b>	400,000
Dividend paid	—	(400,000)
	<u>—</u>	<u>—</u>
At the end of the period	<b><u>794,250</u></b>	<b><u>—</u></b>

During the six months ended June 30, 2020, the Board of Directors declared a dividend of RMB794,250,000 to the shareholders.

The Board of Directors do not recommend the payment of any interim dividend for the six months ended June 30, 2020.

**12 EARNINGS PER SHARE**

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Profit attributable to owners of the Company (RMB'000)	<b>635,412</b>	752,083
Weighted average number of shares in issue (thousands shares)	<b>1,765,000</b>	1,500,000
Earnings per share – basic and diluted (RMB per share)	<b><u>0.36</u></b>	<u>0.50</u>

**13 PROPERTY, PLANTS AND EQUIPMENT**

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Electronic and office equipment</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At December 31, 2019</b>						
Cost	2,563,400	2,633,278	296,102	345,293	466,125	6,304,198
Accumulated depreciation and impairment	<u>(689,669)</u>	<u>(1,293,644)</u>	<u>(109,676)</u>	<u>(195,139)</u>	–	<u>(2,288,128)</u>
<b>Net book amount</b>	<b><u>1,873,731</u></b>	<b><u>1,339,634</u></b>	<b><u>186,426</u></b>	<b><u>150,154</u></b>	<b><u>466,125</u></b>	<b><u>4,016,070</u></b>
<b>Unaudited</b>						
<b>Six months ended June 30, 2020</b>						
Opening net book amount	<b>1,873,731</b>	<b>1,339,634</b>	<b>186,426</b>	<b>150,154</b>	<b>466,125</b>	<b>4,016,070</b>
Currency translation differences	<b>(8,689)</b>	<b>(3,553)</b>	<b>(192)</b>	<b>(425)</b>	<b>1,065</b>	<b>(11,794)</b>
Additions	<b>28,895</b>	<b>20,520</b>	<b>21,836</b>	<b>38,062</b>	<b>380,885</b>	<b>490,198</b>
Acquired from acquisition	–	<b>1,374</b>	<b>199</b>	<b>54</b>	–	<b>1,627</b>
Transfer from construction in progress	<b>78,131</b>	<b>43,630</b>	<b>37,274</b>	<b>15,355</b>	<b>(174,390)</b>	–
Disposals	<b>(12,562)</b>	<b>(10,118)</b>	<b>(4,545)</b>	<b>(6,782)</b>	<b>(6,101)</b>	<b>(40,108)</b>
Depreciation charge	<b><u>(39,059)</u></b>	<b><u>(82,708)</u></b>	<b><u>(23,980)</u></b>	<b><u>(18,667)</u></b>	–	<b><u>(164,414)</u></b>
<b>Closing net book amount</b>	<b><u>1,920,447</u></b>	<b><u>1,308,779</u></b>	<b><u>217,018</u></b>	<b><u>177,751</u></b>	<b><u>667,584</u></b>	<b><u>4,291,579</u></b>
<b>At June 30, 2020</b>						
Cost	<b>2,637,456</b>	<b>2,667,571</b>	<b>348,554</b>	<b>386,587</b>	<b>667,584</b>	<b>6,707,752</b>
Accumulated depreciation and impairment	<b><u>(717,009)</u></b>	<b><u>(1,358,792)</u></b>	<b><u>(131,536)</u></b>	<b><u>(208,836)</u></b>	–	<b><u>(2,416,173)</u></b>
<b>Net book amount</b>	<b><u>1,920,447</u></b>	<b><u>1,308,779</u></b>	<b><u>217,018</u></b>	<b><u>177,751</u></b>	<b><u>667,584</u></b>	<b><u>4,291,579</u></b>

**14 LEASES**
**(a) Amounts recognised in the balance sheet**

	<b>Right-of-use for land use rights</b>
	<i>RMB'000</i>
<hr/>	
<b>At December 31, 2019</b>	
Cost	898,653
Accumulated depreciation	<u>(151,692)</u>
<b>Net book amount</b>	<u><u>746,961</u></u>
<b>Unaudited</b>	
<b>Six months ended June 30, 2020</b>	
Additions	3,058
Disposal	(799)
Amortisation charge	(8,582)
Currency translation differences	<u>839</u>
<b>Closing net book amount at June 30, 2020</b>	<u><u>741,477</u></u>
<b>At June 30, 2020</b>	
Cost	901,227
Accumulated amortisation	<u>(159,750)</u>
<b>Net book amount</b>	<u><u>741,477</u></u>

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

	<b>Buildings</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Right-of-use assets</b>			
<b>At December 31, 2019</b>			
Cost	158,705	2,106	160,811
Accumulated depreciation	<u>(23,044)</u>	<u>(829)</u>	<u>(23,873)</u>
<b>Net book amount</b>	<u><u>135,661</u></u>	<u><u>1,277</u></u>	<u><u>136,938</u></u>
<b>Unaudited</b>			
<b>Six months ended June 30, 2020</b>			
Opening net book amount	135,661	1,277	136,938
Acquired from acquisition	410	–	410
Additions	37,273	5,583	42,856
Currency translation differences	(1,107)	(79)	(1,186)
Depreciation charge	<u>(12,578)</u>	<u>(990)</u>	<u>(13,568)</u>
<b>Closing net book amount</b>	<u><u>159,659</u></u>	<u><u>5,791</u></u>	<u><u>165,450</u></u>
<b>At June 30, 2020</b>			
Cost	194,763	7,603	202,366
Accumulated depreciation	<u>(35,104)</u>	<u>(1,812)</u>	<u>(36,916)</u>
<b>Net book amount</b>	<u><u>159,659</u></u>	<u><u>5,791</u></u>	<u><u>165,450</u></u>

**14 LEASES** (continued)

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

	<b>Unaudited As of June 30, 2020 RMB'000</b>	<b>Audited As of December 31, 2019 RMB'000</b>
<b>Lease liabilities</b>		
Current	<b>12,157</b>	27,276
Non-current	<b>140,742</b>	96,031

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 RMB2,007,000.

**15 INTANGIBLE ASSETS**

	<b>Goodwill RMB'000</b>	<b>Patents and trademarks RMB'000</b>	<b>Software RMB'000</b>	<b>Customer relationships RMB'000</b>	<b>Total RMB'000</b>
<b>At December 31, 2019</b>					
Cost	458,606	180,852	24,229	103,436	767,123
Accumulated amortisation	-	(88,702)	(12,508)	(45,012)	(146,222)
Impairment provision	(22,236)	(7,696)	-	(36,197)	(66,129)
<b>Net book amount</b>	<b>436,370</b>	<b>84,454</b>	<b>11,721</b>	<b>22,227</b>	<b>554,772</b>
<b>Unaudited Six months ended June 30, 2020</b>					
Opening net book amount	436,370	84,454	11,721	22,227	554,772
Additions	-	614	6,346	-	6,960
Acquired from acquisition	2,246	-	24	-	2,270
Disposals	-	(4,246)	(202)	-	(4,448)
Currency translation differences	(16,546)	(3,328)	2	(1,856)	(21,728)
Impairment provision	(4,752)	-	-	-	(4,752)
Amortisation charge	-	(3,936)	(4,317)	(2,963)	(11,216)
<b>Closing net book amount</b>	<b>417,318</b>	<b>73,558</b>	<b>13,574</b>	<b>17,408</b>	<b>521,858</b>
<b>At June 30, 2020</b>					
Cost	442,774	166,251	30,393	98,793	738,211
Accumulated amortisation	-	(88,226)	(16,819)	(45,652)	(150,697)
Impairment provision	(25,456)	(4,467)	-	(35,733)	(65,656)
<b>Net book amount</b>	<b>417,318</b>	<b>73,558</b>	<b>13,574</b>	<b>17,408</b>	<b>521,858</b>

**16 INVENTORIES**

	<b>Unaudited As of June 30, 2020 RMB'000</b>	<b>Audited As of December 31, 2019 RMB'000</b>
Raw materials	1,662,254	1,465,578
Finished goods	1,705,426	1,348,689
Work in progress	850,520	985,555
Spare parts	196,718	194,540
	<b>4,414,918</b>	<b>3,994,362</b>
Less: provision for impairment	<b>(198,723)</b>	<b>(164,937)</b>
	<b>4,216,195</b>	<b>3,829,425</b>

Movements on the provision for impairment of the inventories as follows:

	<b>Unaudited Six months ended June 30, 2020 RMB'000</b>	<b>Audited Year ended December 31, 2019 RMB'000</b>
At the beginning of the period/year	164,937	180,371
Provision for impairment	43,431	22,282
Write-off of inventories	(9,296)	(37,970)
Currency translation differences	(349)	254
At the end of the period/year	<b>198,723</b>	<b>164,937</b>

## 17 TRADE AND BILL RECEIVABLES

	Unaudited As of June 30, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Bill receivables – third parties	105,249	13,578
Bill receivables – related parties (Note 26)	<u>7,000</u>	<u>–</u>
	<u>112,249</u>	<u>13,578</u>
Trade receivables – third parties	2,991,720	2,350,360
Trade receivables – related parties (Note 26)	<u>90,748</u>	<u>61,991</u>
	<u>3,082,468</u>	<u>2,412,351</u>
	3,194,717	2,425,929
Less: allowance for impairment	<u>(161,870)</u>	<u>(121,822)</u>
Total trade and bill receivables – net	<u><u>3,032,847</u></u>	<u><u>2,304,107</u></u>

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

	Unaudited As of June 30, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Within 3 months	2,446,869	1,872,486
3 to 12 months	497,403	414,206
1 to 2 years	60,933	37,282
Over 2 years	<u>77,263</u>	<u>88,377</u>
	<u><u>3,082,468</u></u>	<u><u>2,412,351</u></u>

Aging of bill receivables is within one year as of June 30, 2020.

**17 TRADE AND BILL RECEIVABLES** *(Continued)*

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

	<b>Unaudited Six months ended June 30, 2020</b>	Audited Year ended December 31, 2019
At the beginning of the period/year	121,618	141,102
Provision/(reversal) for impairment	39,195	(5,230)
Receivables written off as uncollectible	(3,443)	(14,447)
Currency translation differences	4	193
At the end of the period/year	<u>157,374</u>	<u>121,618</u>

**18 PREPAYMENTS AND OTHER RECEIVABLES**

	<b>Unaudited As of June 30, 2020 RMB'000</b>	Audited As of December 31, 2019 RMB'000
Prepayment for raw materials	244,566	334,962
Prepayment to related parties <i>(Note 26)</i>	<u>12,823</u>	<u>6,412</u>
	257,389	341,374
Less: provision for impairment	<u>(5,940)</u>	<u>(6,202)</u>
	<u>251,449</u>	<u>335,172</u>
Amounts due from related parties <i>(Note 26)</i>	62,907	54,122
Refundable tax	24,416	49,415
Rental and other deposits	117,588	76,040
Disbursement of vehicles loans	53,450	48,460
Other receivables from staffs and third parties	84,598	94,972
Others	<u>13,136</u>	<u>32,707</u>
	356,095	355,716
Less: provision for impairment	<u>(41,904)</u>	<u>(40,557)</u>
	<u>314,191</u>	<u>315,159</u>
Total prepayments and other receivables	<u>565,640</u>	<u>650,331</u>



**19 BORROWINGS**

	<b>Unaudited</b>	Audited
	<b>As of</b>	As of
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Included in non-current liabilities</b>		
Bank borrowings, guaranteed	—	88,500
<b>Included in current liabilities</b>		
Bank borrowings	1,641,349	1,496,106
Bank borrowings, guaranteed	183,102	62,600
Loans from third parties	654	2,190
Discounted bills	—	5,280
	<u>1,825,105</u>	<u>1,566,176</u>
Total borrowings	<u>1,825,105</u>	<u>1,654,676</u>

**20 TRADE AND BILL PAYABLES**

	<b>Unaudited</b> <b>As of</b> <b>June 30,</b> <b>2020</b> <i>RMB'000</i>	Audited As of December 31, 2019 <i>RMB'000</i>
Third parties	<b>4,513,716</b>	3,528,921
Related parties <i>(Note 26)</i>	<b>87,636</b>	88,638
	<b>4,601,352</b>	3,617,559

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

	<b>Unaudited</b> <b>As of</b> <b>June 30,</b> <b>2020</b> <i>RMB'000</i>	Audited As of December 31, 2019 <i>RMB'000</i>
0-30 days	<b>3,716,119</b>	2,482,882
31-60 days	<b>512,478</b>	772,185
61-90 days	<b>147,004</b>	150,027
Over 90 days	<b>225,751</b>	212,465
	<b>4,601,352</b>	3,617,559

**21 OTHER PAYABLES AND ACCRUALS**

	Unaudited As of June 30, 2020 <i>RMB'000</i>	Audited As of December 31, 2019 <i>RMB'000</i>
Amounts due to related parties <i>(Note 26)</i>	151,907	155,452
Dividends payable to shareholders <i>(Note 26)</i>	658,307	–
Dividend payables to non-controlling interests	135,943	25,828
Payroll and welfare payables	619,746	637,560
Accrued expenses	440,721	366,103
Deposits and temporary receipts	449,718	417,111
Other taxes payables	111,431	88,372
Freights expenses payable	20,049	11,033
Payables for equipment and right-of-use for land use rights	48,187	24,201
Financial guarantee for vehicle loans	29,156	29,695
Advance payment of assets held for sale	–	118,265
Accrued listing expenses	7,707	21,453
Demolition compensation	146,709	–
Others	143,194	106,036
	<u>2,962,775</u>	<u>2,001,109</u>

**22 PROVISIONS**

	Unaudited As of June 30, 2020 <i>RMB'000</i>	Audited As of December 31, 2019 <i>RMB'000</i>
Product warranties	146,093	112,384
Accrued litigation and compensation losses and others	17,101	13,033
	<u>163,194</u>	<u>125,417</u>

**22 PROVISIONS** *(Continued)*

	<b>Product warranties</b>	<b>Accrued Litigation and compensation losses and others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Unaudited</b>			
<b>As of January 1, 2020</b>	112,384	13,033	125,417
Currency translation differences	109	(689)	(580)
Provision made	63,120	5,340	68,460
Provision utilised	(29,520)	(583)	(30,103)
<b>At June 30, 2020</b>	<u>146,093</u>	<u>17,101</u>	<u>163,194</u>

**23 BUSINESS COMBINATION**

In June 2020, the Company acquired further 28% equity interest of Zhenjiang Shenxing Taibao Technology Co., Ltd. ("Shenxing Taibao"), a company principally engaged in manufacturing, handling and the sales of security production, electronic production as well as parts of automobile and trailer. The consideration of RMB3,080,000 for the acquisition in cash.

Upon the completion of the acquisition of Shenxing Taibao, Shenxing Taibao became a 51% subsidiary of the Company. The identifiable assets and liabilities of Shenxing Taibao were recognised and measured at fair value. The excess of the fair value of the consideration over the identifiable net assets of Shenxing Taibao at fair value was recognised as goodwill in the consolidated statement of financial position at the acquisition date.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<i>RMB'000</i>
Fair value of equity held before the acquisition date	2,530
Cash paid	<u>3,080</u>
Total purchase consideration	<u>5,610</u>

**23 BUSINESS COMBINATION** *(Continued)*

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>At fair value</b> <b>RMB'000</b>
Property, plant and equipment	1,627
Right-of-use assets	410
Intangible assets	24
Other non-current assets	703
Inventories	1,318
Trade and bill receivables	1,155
Prepayment and other receivables	163
Cash and cash equivalents	1,691
Other current assets	<u>573</u>
	<u>7,664</u>
Lease liabilities	341
Trade and bill payables	32
Other payables and accruals	606
Contract liabilities	<u>90</u>
	<u>1,069</u>
Total identifiable net assets	<u>6,595</u>
Less: non-controlling interest	3,231
Add: goodwill	<u>2,246</u>
Total purchase consideration	<u><u>5,610</u></u>

- (a) Acquisition-related costs of acquiring Shenxing Taibao is insignificant.
- (b) The goodwill arising from the acquisition of RMB2,246,000 is attributable to the synergies expected to be achieved from integrating its operations into the Group's existing business. It is not be deductible for tax purpose.
- (c) Revenue and profit contribution

The acquired business did not contribute revenues and net profit to the Group during the period. If the acquisition had occurred on January 1, 2020, consolidated revenue and consolidated loss after tax for the six months ended June 30, 2020 would have been RMB713,000 and RMB1,020,000 respectively.

## 24 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	<b>Unaudited</b>	Audited
	<b>As of</b>	As of
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Construction/purchase of property, plant and equipment	<b>282,413</b>	201,575

## 25 GUARANTEE

### (a) Financial guarantees

The Group entered into financial guarantee contracts related to vehicle loans mainly with Shandong HOWO Auto Finance Co., Ltd., Huishang Bank Corporation Limited, Postal Savings Bank of China, Industrial Bank Co., Ltd., Zhongyuan Bank Co., Ltd. and CIMC Finance Company Ltd. 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 June 30, 2020, the outstanding balance of the above guarantees provided by the Group to dealers and customers totalled RMB1,838,278,000 (December 31, 2019: RMB1,786,026,000), and the bank deposit pledged for these guarantees were RMB143,312,000 (December 31, 2019: RMB139,429,000).

### (b) Outstanding performance bond and letter of credit

As of June 30, 2020, the Group had outstanding performance bond and letter of credit totally RMB7,407,000 (December 31, 2019: RMB4,094,000).

**26 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.

**(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 period.

<b>Names of the entities</b>	<b>Nature of relationship</b>
CIMC Group	Ultimate holding company
Qingdao Lida Chemical Co., Ltd.	A fellow subsidiary
Qingdao CIMC Special Reefer Co., Ltd.	A fellow subsidiary
Qingdao CIMC Chuangying Composite Material Technology Co., Ltd.	A fellow subsidiary
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	A fellow subsidiary
C&C Trucks Co., Ltd.	A fellow subsidiary
CIMC Enric Holdings Limited	A fellow subsidiary
Shenzhen Jiamei Apartment Management Co., Ltd.	A fellow subsidiary
Shenzhen CIMC production City Development Group Co., Ltd.	A fellow subsidiary
Shenzhen Southern CIMC Container Service Co., Ltd.	A fellow subsidiary
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacture Co., Ltd.	A fellow subsidiary
Qianhai Ruiji Technology Co., Ltd.	A fellow subsidiary
Shenzhen CIMC Vehicle Park Investment and Management Co., Ltd.	A fellow subsidiary
Shenzhen zhongji huijie supply chain Co., Ltd.	A fellow subsidiary
Shenzhen CIMC Intelligent Technology Co., Ltd.	A fellow subsidiary
Shenzhen CIMC intelligent parking Co., Ltd.	A fellow subsidiary
Shenzhen Southern CIMC Logistics Co., Ltd.	A fellow subsidiary
Shenzhen CIMC-Tianda Airport Support Co., Ltd.	A fellow subsidiary
Shenyang CIMC Vehicle Market Management Co., Ltd.	A fellow subsidiary
Shenyang CIMC Industrial Park Investment and Development Co., Ltd.	A fellow subsidiary
Xinhui CIMC Container Co., Ltd.	A fellow subsidiary
Yangzhou TongLee Reefer Container Co., Ltd.	A fellow subsidiary
Yangzhou Runyang Logistics Equipment Co., Ltd.	A fellow subsidiary
Yangzhou Taili Special Equipment Co., Ltd.	A fellow subsidiary
Langfang CIMC Airport Support Co., Ltd.	A fellow subsidiary

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(a) Names and relationships with related parties** *(continued)*

<b>Names of the entities</b>	<b>Nature of relationship</b>
Guangdong Xinhui CIMC Special Transportation Equipment Co., Ltd.	A fellow subsidiary
Ningbo Simak Trading Co., Ltd.	A fellow subsidiary
Taicang CIMC Reefer Logistics Equipment Co., Ltd.	A fellow subsidiary
Tianjin CIMC Container Co., Ltd.	A fellow subsidiary
Jiaxing CIMC Wood Co., Ltd.	A fellow subsidiary
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	A fellow subsidiary
CIMC Capital Leasing Co., Ltd.	A fellow subsidiary
CIMC Lide Drive Systems (Yangzhou) Co., Ltd.	A fellow subsidiary
CIMC Eco Material Supply Co., Ltd.	A fellow subsidiary
CIMC Intermodal Development Co., Ltd.	A fellow subsidiary
CIMC Modern Logistic Development Co., Ltd.	A fellow subsidiary
China International Marine Containers (Hong Kong) Limited	A fellow subsidiary
Dongguan Southern CIMC Logistic Equipment Manufacturing Co., Ltd.	A fellow subsidiary
Dongguan CIMC Intelligent Technology Co., Ltd.	A fellow subsidiary
Shanghai CIMC Baowell Industries Co., Ltd.	A fellow subsidiary
CIMC Transportation Equipment (International) Holdings Limited	A fellow subsidiary
Shanghai CIMC Yangshan Logistics Equipments Co., Ltd.	A fellow subsidiary
CIMC Burg B.V.	A fellow subsidiary
CIMC Finance Company Ltd.	A fellow subsidiary
Qingdao CIMC Container Manufacture Co., Ltd.	A fellow subsidiary



**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(a) Names and relationships with related parties** *(continued)*

<b>Names of the entities</b>	<b>Nature of relationship</b>
CIMC Commercial Tires Inc.	Associate of the Group
Ningbo Huaxiang Automobile New Material Technology Co., Ltd.	Associate of the Group
Xxentria Technology Materials (China) Co., Ltd.	Associate of the Group
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	Associate of the Group
Chengdu CIMC Industrial Park Investment and Development Co., Ltd.	Associate of the Group
Tianjin Conde Logistics Equipment Co., Ltd.	Associate of the Group
Burgers Carrosserie B.V.	Associate of the Group
Shenzhen Shuxiang Technology Co., Ltd.	Associate of the Group
Jiangsu Wanjing Technology Co., Ltd.	A joint venture
Shenzhen Spark Vehicle Technology Co., Ltd.	A joint venture
Oriental Post Logistics Technology (Jiangxi) Co., Ltd.	Other related party
NYK Zhenhua logistics (Tianjin) Co., Ltd.	Other related party
Shanghai Taifuxiangzhong Equity Investment Fund Partnership enterprise LP	Other related party
Taizhou Taifuxiangyun Equity Investment Partnership enterprise LP	Other related party
Xiangshan Huajin Industrial Investment Partnership (Limited Partnership)	Other related party
Shenzhen Longyuan Port City Enterprise Management Center (Limited Partnership)	Other related party
Shenzhen Chiwan Oriental Logistics Co., Ltd.	Other related party

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(b) Significant transactions with related parties**

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<i>(i) Purchase of goods from</i>		
Fellow subsidiaries and other related parties	111,759	305,241
Associates of the Group	2,897	41,457
Joint ventures	42,684	—
	<u>157,340</u>	<u>346,698</u>
<i>(ii) Sales of goods to</i>		
Fellow subsidiaries and other related parties	81,091	53,474
Associates of the Group	839	403
Joint ventures	17,091	—
	<u>99,021</u>	<u>53,877</u>
<i>(iii) Provision of services to</i>		
Associates of the Group	32	9
Fellow subsidiaries and other related parties	3,263	6,135
Joint ventures	142	—
	<u>3,437</u>	<u>6,144</u>
<i>(iv) Purchases of services from</i>		
Fellow subsidiaries and other related parties	10,624	42,735
Joint ventures	531	—
Associates of the Group	2,193	—
Ultimate holding company	128	—
	<u>13,476</u>	<u>42,735</u>

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(b) Significant transactions with related parties** *(continued)*

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<i>(v) Interest income from</i>		
Fellow subsidiaries and other related parties	<b>4,087</b>	6,784
Ultimate holding company	—	669
	<u><b>4,087</b></u>	<u>7,453</u>
<i>(vi) Interest expenses to</i>		
Fellow subsidiaries and other related parties	—	4,774
Ultimate holding company	—	4,097
	<u>—</u>	<u>8,871</u>
<i>(vii) Guarantee provided to</i>		
Fellow subsidiaries and other related parties	<u><b>594,316</b></u>	<u>593,801</u>
<i>(viii) Acquisition of equity interests</i>		
Fellow subsidiaries and other related parties	<u>—</u>	<u>88,826</u>
<i>(ix) Rental expense to</i>		
Fellow subsidiaries and other related parties	<u><b>545</b></u>	<u>—</u>

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(c) Balances with related parties**

	<b>Unaudited As of June 30, 2020 RMB'000</b>	<b>Audited As of December 31, 2019 RMB'000</b>
<i>(i) Cash</i>		
CIMC Finance Company Ltd.	<u>659,297</u>	<u>685,065</u>
<i>(ii) Trade and bill receivables</i>		
Associates of the Group	9,175	119
Fellow subsidiaries and other related parties	70,681	52,103
Joint ventures	17,892	9,736
Ultimate holding company	—	33
	<u>97,748</u>	<u>61,991</u>
<i>(iii) Financial assets at fair value through other comprehensive income</i>		
Fellow subsidiaries and other related parties	25,730	18,232
Joint ventures	3,900	7,255
	<u>29,630</u>	<u>25,487</u>
<i>(iv) Prepayments to</i>		
Associates of the Group	—	1,755
Fellow subsidiaries and other related parties	12,823	4,657
	<u>12,823</u>	<u>6,412</u>
<i>(v) Other receivables from</i>		
Associates of the Group	3,312	2,458
Ultimate holding company	23,460	22,001
Joint ventures	124	3,285
Fellow subsidiaries and other related parties	36,011	26,378
	<u>62,907</u>	<u>54,122</u>

Amounts due from related parties were unsecured, interest-free and repayable on demand.

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(c) Balances with related parties** *(Continued)*
*(vi) Loans to related parties*

	<b>Unaudited Six months ended June 30, 2020 RMB'000</b>	<b>Audited Year ended December 31, 2019 RMB'000</b>
Loans to ultimate holding company		
Beginning of the period	–	75,000
Repayment	–	(75,000)
End of period	<u>–</u>	<u>–</u>

The loans to the ultimate holding company matured in one year. The interest rate on the loan for the year ended December 31, 2019 was 5.44% per annum.

	<b>Unaudited Six months ended June 30, 2020 RMB'000</b>	<b>Audited Year ended December 31, 2019 RMB'000</b>
Loans to fellow subsidiaries		
Beginning of the period	–	60,790
Repayment	–	(60,790)
End of period	<u>–</u>	<u>–</u>

The loans to the fellow subsidiaries matured in one year. The interest rate on the loan for the year ended December 31, 2019 was 5.44% per annum.

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(c) Balances with related parties** *(Continued)*
*(vi) Loans to related parties (Continued)*

	<b>Unaudited Six months ended June 30, 2020 RMB'000</b>	<b>Audited Year ended December 31, 2019 RMB'000</b>
Loans to associates of the Group		
Beginning of the period	–	39,056
Repayment	–	(39,056)
End of period	<u>–</u>	<u>–</u>

The loans to associates of the Group have maturity in one year. The interest rate on the loan for the year ended December 31, 2019 was 5.44% per annum.

*(vii) Loans from related parties*

	<b>Unaudited Six months ended June 30, 2020 RMB'000</b>	<b>Audited Year ended December 31, 2019 RMB'000</b>
Loans from ultimate holding company		
Beginning of the period	–	368,930
Repayment	–	(368,930)
End of period	<u>–</u>	<u>–</u>

The loans from the ultimate holding company matured in one year. The interest rates on the loans for the year ended December 31, 2019 were from 5.44% to 5.68% per annum.

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(c) Balances with related parties** *(continued)*
*(vii) Loans from related parties (continued)*

	<b>Unaudited Six months ended June 30, 2020 RMB'000</b>	<b>Audited Year ended December 31, 2019 RMB'000</b>
Loans from fellow subsidiaries		
Beginning of the period	–	531,135
Loans advanced	–	31,700
Loans repayments made	–	(562,835)
	<u>–</u>	<u>–</u>
End of period	<u>–</u>	<u>–</u>

The loans from related parties matured in one year. The interest rates on the loans for the year ended December 31, 2019 were from 4.21% to 5.75% per annum.

**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(c) Balances with related parties** *(continued)*

	<b>Unaudited</b>	Audited
	<b>As of</b>	As of
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
<i>(viii) Trade and bill payables to</i>		
Associates of the Group	<b>561</b>	1,626
Joint ventures	<b>29,502</b>	16,221
Fellow subsidiaries and other related parties	<b>57,573</b>	70,791
	<b>87,636</b>	88,638
<i>(ix) Other payables</i>		
Fellow subsidiaries and other related parties	<b>487,776</b>	132,316
Associates of the Group	–	5
Ultimate holding company	<b>322,438</b>	23,131
	<b>810,214</b>	155,452
<i>(x) Contract liabilities</i>		
Fellow subsidiaries and other related parties	<b>2,291</b>	128
Associates of the Group	<b>797</b>	–
	<b>3,088</b>	128

Amounts due to related parties are unsecured, interest-free, and repayable on demand.



**26 RELATED PARTY TRANSACTIONS** *(continued)*
**(d) Key management personnel compensations**

	<b>Unaudited</b>	
	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Wages, salaries and bonuses	<b>5,079</b>	4,389
Pension costs and other employee benefits	<b>185</b>	266
Others	<b>114</b>	837
	<b>5,378</b>	5,492

**27 EVENTS OCCURRING AFTER THE REPORTING PERIOD**
**(a) Anti-dumping investigation from the U.S.**

On July 30, 2020, the Coalition of American Chassis Manufacturers, consisting of five enterprises, being Cheetah Chassis Corporation, Hercules Enterprises, LLC, Pitts Enterprises, Inc., Pratt Industries, Inc., and Stoughton Trailers, LLC, filed a petition with the United States International Trade Commission, charging that unfairly traded imports of chassis from China are materially injuring the American container chassis industry. The Company has appointed an external legal counsel to give assistance. Based on the advice of the counsel, the petition is still in the early stage of investigation, the process of which may take about 12 to 18 months.

The overall financial effect of the above incident cannot be reliably estimated at present. The Group will monitor the development of aforesaid events closely and evaluate its impact on the financial position and operating results of the Group.

A close-up, low-angle shot of a yellow industrial robotic arm. The arm is positioned vertically, with its joints and mechanical components visible. A black braided cable runs along the side of the arm. In the background, a person's legs in blue jeans and black shoes are visible, suggesting a factory or industrial environment. The scene is lit with a cool blue light, and there are bright sparks or light trails emanating from the right side of the frame. A network diagram with white nodes and lines is overlaid on the bottom right corner.

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