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

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

(Stock Code: 1839)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

FINANCIAL HIGHLIGHTS

– For the six months ended June 30, 2019, the revenue of the Group was RMB12,605.1 million, representing an increase of 11.8% over the corresponding period of 2018.

– For the six months ended June 30, 2019, the net profit of the Group was RMB827.5 million, representing an increase of 26.6% over the corresponding period of 2018.

– For the six months ended June 30, 2019, the basic earnings per share of the Group was RMB0.5 (for the six months ended June 30, 2018: RMB0.4).

– The Board does not recommend payment of an interim dividend for the six months ended June 30, 2019.

The board of directors (the "**Board**") of CIMC Vehicles (Group) Co., Ltd. (the "**Company**") hereby announces that the unaudited interim results of the Company and its subsidiaries (hereafter collectively referred to as the "**Group**") for the six months ended June 30, 2019 (the "**Reporting Period**"), together with the comparative figures for the six months ended June 30, 2018 (the "**corresponding period of 2018**") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended June 30,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenues	*6*	**12,605,058**	11,279,398
Cost of sales		**(11,010,113)**	(9,889,164)
Gross profit		**1,594,945**	1,390,234
Selling and distribution expenses		**(269,378)**	(241,602)
Administrative expenses		**(605,325)**	(478,884)
Net impairment gains on financial assets and financial guarantee contracts		**2,964**	4,860
Other income		**110,116**	77,729
Other gains – net	*7*	**142,941**	97,579
Operating profit		**976,263**	849,916
Finance income	*8*	**41,440**	43,979
Finance costs	*8*	**(61,045)**	(80,131)
Finance costs – net	*8*	**(19,605)**	(36,152)
Share of net profits of associates and joint ventures		**5,381**	1,714
Profit before income tax		**962,039**	815,478
Income tax expense	*9*	**(134,514)**	(162,052)
Profit for the period		**827,525**	653,426
Attributable to:			
Owners of the Company		**752,083**	599,526
Non-controlling interests		**75,442**	53,900
		827,525	653,426
Earnings per share (expressed in RMB per share)			
– Basic and diluted	*11*	**0.50**	0.40

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**827,525**	653,426
Other comprehensive income/(loss):		
Items that maybe reclassified to profit or loss		
Currency translation differences	**7,247**	(12,128)
Cash flow hedges	**–**	(1,360)
Other comprehensive income/(loss) for the period, net of tax	**7,247**	(13,488)
Total comprehensive income for the period	**834,772**	639,938
Total comprehensive income for the period attributable to:		
Owners of the Company	**758,509**	586,401
Non-controlling interests	**76,263**	53,537
	834,772	639,938

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		–	598,492
Property, plant and equipment		3,656,767	3,445,718
Right-of-use for land use rights	4	590,591	–
Right-of-use assets		106,118	–
Investment properties		392,289	392,052
Intangible assets		540,210	547,440
Investments in associates		231,492	230,882
Investments in joint ventures		13,748	–
Deferred tax assets		176,425	164,621
Other non-current assets		174,353	42,781
		5,881,993	5,421,986
Current assets			
Inventories		3,982,426	3,582,330
Tax recoverable		123,985	125,309
Other current assets		5,567	12,535
Contract costs		7,098	10,930
Bills receivables at fair value through other comprehensive income		688,460	–
Trade and bills receivables	12	2,981,080	3,567,428
Prepayments and other receivables	13	559,615	706,831
Loans to related parties		–	174,846
Derivation financial instruments		2,491	3,496
Restricted cash		253,088	140,098
Cash and cash equivalents		2,173,503	2,616,979
		10,777,313	10,940,782
Assets classified as held for sale		197,874	197,874
		10,975,187	11,138,656
Total assets		16,857,180	16,560,642

	Note	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**100,500**	310,604
Leases liabilities		**94,049**	–
Deferred income		**25,499**	22,607
Long-term payables		**931**	470
Deferred tax liabilities		**132,312**	133,620
		353,291	467,301
Current liabilities			
Derivative financial instruments		**2,844**	376
Trade and bill payables	*14*	**3,644,084**	3,066,537
Other payables and accruals	*15*	**1,776,894**	1,876,189
Contract liabilities		**589,485**	586,801
Borrowings		**1,694,085**	1,980,645
Leases liabilities		**19,492**	–
Income tax liabilities		**122,791**	103,204
Provisions		**137,173**	132,818
Deferred income		**254,343**	398,872
Other current liabilities		**–**	190
		8,241,191	8,145,632
Total liabilities		**8,594,482**	8,612,933
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,500,000**	1,500,000
Reserves		**2,390,800**	2,390,316
Retained earnings		**3,951,519**	3,597,364
		7,842,319	7,487,680
Non-controlling interests		**420,379**	460,029
Total equity		**8,262,698**	7,947,709
Total equity and liabilities		**16,857,180**	16,560,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at January 1, 2018 (Audited)	1,482,661	1,448,326	3,674,551	6,605,538	403,874	7,009,412
Comprehensive income						
Profit for the period	–	–	599,526	599,526	53,900	653,426
Currency translation differences	–	(11,765)	–	(11,765)	(363)	(12,128)
Cash flow hedges	–	(1,360)	–	(1,360)	–	(1,360)
Total comprehensive income for the period	–	(13,125)	599,526	586,401	53,537	639,938
Transactions with owners in their capacity as owners						
Profit appropriation to statutory reserve	–	314,829	(314,829)	–	–	–
Dividends	–	–	(289,313)	(289,313)	(28,075)	(317,388)
Disposal of a subsidiary (Loss of control)	–	–	–	–	9,021	9,021
Total transactions with owners in their capacity as owners	–	314,829	(604,142)	(289,313)	(19,054)	(308,367)
Balance at June 30, 2018 (Unaudited)	1,482,661	1,750,030	3,669,935	6,902,626	438,357	7,340,983

	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019 (Audited)	1,500,000	2,390,316	3,597,364	7,487,680	460,029	7,947,709
Comprehensive income						
Profit for the period	–	–	752,083	752,083	75,442	827,525
Currency translation differences	–	6,426	–	6,426	821	7,247
Total comprehensive income for the period	–	6,426	752,083	758,509	76,263	834,772
Transactions with owners in their capacity as owners						
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
Total transactions with owners in their capacity as owners	–	(5,942)	(397,928)	(403,870)	(115,913)	(519,783)
Balance at June 30, 2019 (Unaudited)	1,500,000	2,390,800	3,951,519	7,842,319	420,379	8,262,698

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**855,177**	203,904
Net cash (used in)/generated from investing activities	**(70,117)**	318,665
Net cash used in financing activities	**(1,234,880)**	(1,307,815)
Net decrease in cash and cash equivalents	**(449,820)**	(785,246)
Cash and cash equivalents at the beginning of the period	**2,616,979**	2,810,813
Exchange losses on cash and cash equivalents	**6,344**	5,424
Cash and cash equivalents at the end of period	**2,173,503**	2,030,991

NOTES:

1 GENERAL INFORMATION

The Group are mainly engaged in design, manufacture and sales of an extensive range of semi-trailers and truck bodies and provision of relevant services in the People's Republic of China (the "**PRC**"), North America, Europe and other regions.

This condensed consolidated interim financial information for the six months ended June 30, 2019 is presented in Renminbi ("**RMB**"), unless otherwise stated.

This condensed consolidated interim financial information has been reviewed and has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's prospectus dated on June 27, 2019 ("**the Historical Financial Information**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Historical Financial Information except for the new standards, amendments and interpretations that have been effective and adopted by the Group during the period as described below.

	New standards, amendments and interpretations
IFRS 16 (i)	Leases
IFRIC 23 (ii)	Uncertainty over income tax treatments
IAS 19 (ii)	'Employee benefits' on plan amendment, curtailment or settlement
Amendments to IFRS (ii)	Annual Improvements to IFRSs 2015-2017 Cycle
Amendment to IAS 28 (ii)	Long term interests in associates and joint ventures
Amendment to IFRS 9 (ii)	Prepayment features with negative compensation

(i) On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases as of January 1, 2019 which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

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

The Group leases various buildings, lands and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise the leases of dormintory.

(ii) The Group has assessed the impact of these new standards, amendments and interpretations, certain of which are relevant to the Group's operations. There is no significant impact on the financial performance and positions of the Group.

Standards and interpretations that have been issued but not yet effective and not been early adopted by the Group during the period are as follows:

	New standards, amendments and interpretations	**Effective date**
IFRS 17	Insurance contracts	Annual periods beginning on or after January 1, 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

4 CHANGES IN ACCOUNTING POLICIES

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

Adjustments recognised on adoption of IFRS 16

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

	2019 ***RMB'000***
Operating lease commitments as of December 31, 2018	171,008
Discounted using the lessee's incremental borrowing rate of at the date of initial application	138,003
(Less) : low-value leases recognised on a straight-line basis as expense	(13,790)
(Less) : short-term leases recognised on a straight-line basis as expense	(4,528)
Lease liability recognised as of January 1, 2019	**119,685**
Of which are:	
Current lease liabilities	17,515
Non-current lease liabilities	102,170
	119,685

The associated right-of-use assets for all right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

	June 30, 2019	January 1, 2019
	RMB'000	*RMB'000*
Land use rights *(Note a)*	**590,591**	605,265
Buildings	**103,597**	110,363
Motor vehicles	**2,521**	2,744
	106,118	113,107
Total	**696,709**	718,372

(a) Right-of-use for land use rights

	Six months ended June 30, 2019
	RMB'000
At the beginning of the period	
Cost	**–**
Reclassified from land use rights	**598,492**
Changes in accounting policies	**6,773**
Net book amount	**605,265**
Period ended June 30, 2019	
Opening net book amount	**605,265**
Additions	**168**
Disposal	**(6,970)**
Currency translation differences	**(144)**
Amortisation charge	**(7,728)**
Closing net book amount	**590,591**
As of June 30, 2019	
Cost	**591,010**
Accumulated amortisation	**(419)**
Net book amount	**590,591**

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

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

(i) ***Impact on earnings per share***

Earnings per share decreased by RMB0.0001 for the six months ended June 30, 2019 as a result of the adoption of IFRS 16.

(ii) ***Practical expedients applied***

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

5 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 Chief Executive Officer ("**CEO**"), who reviews internal reporting when making decisions about allocating resources and assessing performance of the Group. The CEO has determined the operating segments based on these reports. The CEO considers the business from customer's location perspective, and determines that the Group has the following operating segments:

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

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

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

	Six months ended June 30, 2019				
	The PRC *RMB'000*	**North America** *RMB'000*	**Europe** *RMB'000*	**Other regions** *RMB'000*	**Total** *RMB'000*
(Unaudited)					
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	**7,614,230**	**3,032,787**	**1,358,327**	**599,714**	**12,605,058**
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	**(6,699,834)**	**(2,608,033)**	**(1,193,408)**	**(508,838)**	**(11,010,113)**
Gross profit	**914,396**	**424,754**	**164,919**	**90,876**	**1,594,945**

(Unaudited)	Six months ended June 30, 2018 The PRC *RMB'000*	North America *RMB'000*	Europe *RMB'000*	Other regions *RMB'000*	Total *RMB'000*
Sales of vehicles	6,699,101	2,113,468	1,003,526	534,891	10,350,986
Sales of parts and components	334,149	234,297	152,229	4,787	725,462
Other revenue	124,002	–	75,880	3,068	202,950
Revenue in total	7,157,252	2,347,765	1,231,635	542,746	11,279,398
Cost of sales of vehicles	(6,001,382)	(1,820,325)	(918,189)	(469,725)	(9,209,621)
Cost of sales of parts and components	(244,480)	(216,999)	(113,220)	(3,978)	(578,677)
Cost of other revenue	(35,709)	–	(62,969)	(2,188)	(100,866)
Cost in total	(6,281,571)	(2,037,324)	(1,094,378)	(475,891)	(9,889,164)
Gross profit	875,681	310,441	137,257	66,855	1,390,234

	Six months ended June 30, **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Segment gross profit	**1,594,945**	1,390,234
Selling and distribution expenses	**(269,378)**	(241,602)
Administrative expenses	**(605,325)**	(478,884)
Net impairment gains on financial assets and financial guarantee contracts	**2,964**	4,860
Other income	**110,116**	77,729
Other gains – net	**142,941**	97,579
Financial costs – net	**(19,605)**	(36,152)
Share of net profit of associates and joint ventures	**5,381**	1,714
Income tax expense	**(134,514)**	(162,052)
Profit for the period	**827,525**	653,426

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

6 REVENUES

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:

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue from contract with customers:		
Sales of vehicles	**11,663,425**	10,350,986
Sales of parts and components	**796,358**	725,462
Other revenue	**114,493**	162,775
	12,574,276	11,239,223
Recognised at a point in time	**12,535,491**	11,199,812
Recognised over time	**69,567**	79,586
Revenue from other sources		
Rental income	**30,782**	40,175
	12,605,058	11,279,398

7 OTHER GAINS – NET

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Fair value gain on investment properties	**231**	44,434
Net foreign exchange gains	**2,044**	2,343
Net gains on disposal of subsidiaries	**–**	47,016
Gains/(losses) on disposal of property, plant and equipment (a)	**57,348**	(1,154)
Government grants (a)	**68,630**	–
Write-off of payables	**4,364**	1,373
Gains on disposal of financial assets/liabilities at fair value through profit or loss and derivative financial instruments	**5,973**	14,095
Net gains on disposal of associates and a joint venture	**–**	2,262
Net fair value losses on financial assets/liabilities at fair value through profit or loss and derivative financial instruments	**(3,298)**	(10,113)
Others	**7,649**	(2,677)
	142,941	97,579

(a) On November 13, 2017, a subsidiary of the Group, Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. ("**Yangzhou Tonghua**") entered into the relocation and compensation agreement (the "**Relocation and Compensation Agreement**") with Yangzhou Economic & Technological Development Zone Demolition Resettlement Management Office (揚州經濟技術開發區拆遷安置管理辦公室) (the "**Demolition Management Office**"). According to the Relocation and Compensation Agreement, the Demolition Management Office would compensate Yangzhou Tonghua for the relocation in cash for a total of approximately RMB800,000,000. During this period, Yangzhou Tonghua has completed the relocation partially, hence recognised the disposal gain of property, plant and equipment of RMB58,048,000 and the government grants related to the relocation of RMB68,630,000, respectively.

8 FINANCE COSTS – NET

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs:		
– Interest expense	**61,045**	81,846
Less:		
– Amount capitalised	**–**	(1,715)
	61,045	80,131
Finance income:		
– Interest income	**(41,440)**	(43,979)
Finance cost, net	**19,605**	36,152

9 INCOME TAX EXPENSE

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**147,627**	163,908
Deferred income tax	**(13,113)**	(1,856)
Income tax expense	**134,514**	162,052

(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.

(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 35% (June 30, 2018: 15% to 39%).

(c) Preferential EIT rate

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

10 DIVIDENDS

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

	Six months ended June 30, 2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Dividends payable:		
At the beginning of the period	**–**	721,360
Dividend declared	**400,000**	289,313
Dividend paid	**(400,000)**	(611,703)
At the end of the period	**–**	398,970

During the Reporting Period, the Company declared and paid a special dividend of RMB400,000,000 to the shareholders before listing on the Stock Exchange.

11 EARNINGS PER SHARE

	Six months ended June 30, 2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**752,083**	599,526
Weighted average number of shares in issue (thousands shares)	**1,500,000**	1,500,000
Earnings per share – basic and diluted (RMB per share)	**0.50**	0.40

12 TRADE AND BILL RECEIVABLES

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Bill receivables – third parties	**6,028**	891,389
Bill receivables – related parties	**9,100**	31,634
	15,128	923,023
Trade receivables – third parties	**3,046,816**	2,713,538
Trade receivables – related parties	**51,126**	71,969
	3,097,942	2,785,507
	3,113,070	3,708,530
Less: allowance for impairment	**(131,990)**	(141,102)
Total trade and bill receivables – net	**2,981,080**	3,567,428

(a) The credit terms of trade receivables granted by the Group is generally in 90 days. Aging analysis based on recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As of June 30, 2019 *RMB'000* **(Unaudited)**	As of December 31, 2018 *RMB'000* (Audited)
Within 3 months	**2,506,125**	2,274,944
3 to 12 months	**400,188**	326,694
1 to 2 years	**92,081**	86,780
Over 2 years	**99,548**	97,089
	3,097,942	2,785,507

Aging of bill receivables is within 6 months as of June 30, 2019.

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

	Six months ended June 30, 2019 (Unaudited)	Year ended December 31, 2018 (Audited)
At the beginning of the period	**141,102**	178,595
Reversal of provision for impairment	**(3,882)**	(17,426)
Receivables written off as uncollectible	**(5,233)**	(20,073)
Currency translation differences	**3**	6
At the end of the period	**131,990**	141,102

(c) The decrease in bill receivables was mainly due to that management classified bills receivables of certain subsidiaries as financial assets at fair value through other comprehensive income.

13 PREPAYMENTS AND OTHER RECEIVABLES

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Prepayment for raw materials	**242,565**	338,939
Prepayment to related parties	**17,909**	5,106
Prepayment for listing expense	**27,311**	16,939
	287,785	360,984
Less: provision for impairment	**(6,202)**	(6,461)
	281,583	354,523
Amounts due from related parties	**55,401**	63,886
Refundable tax	**28,414**	56,479
Rental and other deposits	**85,124**	78,857
Disbursement of vehicles loans	**73,082**	55,287
Other receivables from staffs and third parties	**43,002**	78,785
Others	**50,234**	81,144
	335,257	414,438
Less: provision for impairment	**(57,225)**	(62,130)
	278,032	352,308
Total prepayments and other receivables	**559,615**	706,831

14 TRADE AND BILL PAYABLES

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Third parties	**3,494,631**	2,962,574
Related parties	**149,453**	103,963
	3,644,084	3,066,537

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

	As of June 30, 2019	As of December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-30 days	**2,036,152**	1,786,671
31-60 days	**874,331**	442,365
61-90 days	**450,609**	603,726
Over 90 days	**282,992**	233,775
	3,644,084	3,066,537

15 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2019	As of December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amounts due to related parties	**162,841**	270,032
Payroll and welfare payables	**606,025**	561,896
Accrued expenses	**384,766**	353,789
Deposits and temporary receipts	**214,194**	146,828
Deposits for quality guarantee	**101,277**	104,030
Other taxes payables	**96,844**	111,590
Freights expenses payable	**20,443**	110,156
Payables for equipment and land use rights	**26,812**	11,238
Financial guarantee for vehicle loans	**27,758**	23,705
Accrued listing expenses	**22,444**	12,647
Others	**113,490**	170,278
	1,776,894	1,876,189

16 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On July 11, 2019, the Company completed the global offering of its H shares on the Stock Exchange (the "**Global Offering**") with 265,000,000 H shares at an offer price of HKD6.38 per share issued. The gross proceeds from the new share issuance amounted to approximately HKD1,690 million (equivalent to RMB1,485 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leader in the global semi-trailer industry in terms of sales[1], primarily engages in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles, as well as markets and sells an extensive range of semi-trailers and truck bodies in the PRC, North America, Europe and other regions, covering over 40 countries.

Product portfolio

(1) Semi-trailer products mainly include:

- chassis and flatbed trailers, which mainly consist of (i) chassis trailers, (ii) flatbed trailers and (iii) terminal trailers;
- fence trailers, which mainly consist of (i) side-wall trailers and (ii) stake trailers;
- tank trailers, which mainly consist of (i) liquid tank trailers and (ii) dry bulk tank trailers;
- refrigerated trailers; and
- van trailers, which mainly consist of (i) dry van trailers and (ii) curtain-side trailers.

(2) Center-axle car carriers.

(3) Truck body products for specialty vehicles mainly include:

- dump beds for dump trucks;
- mixers for mixer trucks; and
- truck bodies for sanitation trucks and refrigerated vans.

BUSINESS REVIEW AND OUTLOOK

Operating Revenue

The Group's overall revenue for the first half of 2019 increased by approximately 11.8% to RMB12,605.1 million (the corresponding period of 2018: RMB11,279.4 million), and the Group's net profit was RMB827.5 million (the corresponding period of 2018: RMB653.4 million), representing a year-on-year increase of approximately 26.6%, of which:

1. The Group has been endeavouring to ensure robust management of cash flow for a long term, with the net cash inflow from operating activities of RMB855.2 million in the first half of 2019 (the corresponding period of 2018: RMB203.9 million), representing a year-on-year increase of 319.4%. The robust cash flow management would provide guarantees for the future development of the Group and its active distribution of dividends to our investors.

1 The source of sales data is the report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. in respect of the global semi-trailer industry set out in the prospectus.

2. On November 13, 2017, Yangzhou Tonghua, a subsidiary of the Group, entered into the Relocation and Compensation Agreement with the Demolition Management Office. According to the Relocation and Compensation Agreement, the Demolition Management Office would compensate Yangzhou Tonghua for the relocation in cash for a total of approximately RMB800.0 million. In the first half of 2019, Yangzhou Tonghua has partially completed the relocation, hence the disposal gain of property, plant and equipment of RMB58.0 million and the government grants related to the relocation of RMB68.6 million were recognised, respectively.

3. In the first half of 2019, the number of truck bodies for specialty vehicles in the PRC market increased significantly as compared with the corresponding period of 2018, with operating revenue of RMB2,808.2 million in the first half of 2019 (the corresponding period of 2018: RMB2,208.9 million), representing a year-on-year increase of approximately 27.1%.

4. In the first half of 2019, the number of semi-trailers in the PRC market declined as compared with the corresponding period of 2018, with operating revenue of RMB2,272.6 million in the first half of 2019 (the corresponding period of 2018: RMB2,826.6 million), representing a year-on-year decrease of approximately 19.6%. In particular, under the periodic effects of the market environment and industry regulations, the number of chassis and flatbed trailers and liquid tank trailers both declined significantly over the corresponding period of 2018. The number of center-axle car carriers also declined significantly as compared with the corresponding period of 2018 due to the passage of peak period of replacement.

Gross Margin and Profitability

During the Reporting Period, the Group's overall gross margin increased to 12.7%, representing a year-on-year increase of 0.4% (the corresponding period of 2018: 12.3%). The increase was mainly due to the enhancement of overall profitability, driven by the strong demand for truck bodies for specialty vehicles in the PRC market, the growth of dry van trailers and refrigerated trailers businesses of the Group in the North American market, and the appreciation of US dollar exchange rates.

Review by Business Segment

	Six months ended June 30,			
	2019		2018	
	Revenue	**Gross Margin**	Revenue	Gross Margin
	RMB in millions, except percentages			
Sales of vehicles business	**11,663.4**	**11.9%**	10,351.0	11.0%
Sales of parts and components business	**796.4**	**16.5%**	725.5	20.2%
Other businesses[2]	**145.3**	**52.2%**	202.9	50.3%
Total	**12,605.1**	**12.7%**	11,279.4	12.3%

Sales of vehicles business

For the six months ended June 30, 2019, the Group's revenue from sales of vehicles business was RMB11,663.4 million (the corresponding period of 2018: RMB10,351.0 million), representing a year-on-year increase of 12.7%, mainly because (1) the Group captured opportunities arising from the North American market and actively integrated the resources of supply chains, and the sales of the dry van trailer and refrigerated trailer increased; and (2) market demand for specialty vehicles increased driven by proactive development of infrastructure in the PRC. The revenue from sales of vehicles business accounted for 92.5% of the Group's total revenue.

Sales of parts and components business

For the six months ended June 30, 2019, the Group's revenue from sales of parts and components business was RMB796.4 million (the corresponding period of 2018: RMB725.5 million), representing a year-on-year increase of 9.8%, primarily due to the increase in revenue from sales of parts and components driven by the increase in revenue from sales of vehicles.

Other businesses

For the six months ended June 30, 2019, the Group's revenue from other businesses was RMB145.3 million (the corresponding period of 2018: RMB202.9 million), representing a year-on-year decrease of 28.4%, primarily due to a significant decrease in the rental income associated with investment properties in other businesses during the Reporting Period resulting from the disposal of the vehicle parks in September 2018.

2 The revenue of the Group from other businesses mainly included (i) rental income, including from leasing properties in our vehicle parks, and trailer rental services; (ii) after-sales services, which principally comprise the provision of repair and parts replacement services; (iii) provision of supply chain services; and (iv) provision of trade-in services and sales of refurbished semi-trailers.

Review by Market Region

	Six months ended June 30,			
	2019		2018	
	Revenue	**Gross Margin**	Revenue	Gross Margin
	RMB in millions, except percentages			
The PRC				
Sales of vehicles business	**7,253.8**	**11.0%**	6,699.1	10.4%
Sales of parts and components business	**285.0**	**20.7%**	334.1	26.8%
Other businesses	**75.4**	**73.7%**	124.0	71.2%
North America				
Sales of vehicles business	**2,691.8**	**14.9%**	2,113.5	13.9%
Sales of parts and components business	**341.0**	**6.8%**	234.3	7.4%
Other businesses	**–**	**–**	–	–
Europe				
Sales of vehicles business	**1,131.2**	**8.8%**	1,003.5	8.5%
Sales of parts and components business	**161.8**	**29.6%**	152.2	25.6%
Other businesses	**65.3**	**27.3%**	75.9	17.0%
Other Regions[3]				
Sales of vehicles business	**586.7**	**14.8%**	534.9	12.2%
Sales of parts and components business	**8.6**	**20.0%**	4.8	16.9%
Other businesses	**4.5**	**54.6%**	3.1	28.7%
Total	**12,605.1**	**12.7%**	11,279.4	12.3%

The PRC

In the first half of 2019, the operation of macro-economy in the PRC was generally stable and made improvement in stability. The PRC still maintained a high level of infrastructure construction. The government has continuously increased the rebuilding of shanty towns such as cities, mining areas and forest areas, and the construction of indemnificatory housing, rural water and hydropower and highway network in the western region, which has boosted the continuous growth in sales of truck bodies for specialty vehicles. In addition, the Group actively responded to national industry regulations and policy requirements, adjusted domestic marketing strategies in a timely manner to adapt to the market changes, and accelerated production line upgrades and structural optimization. During the Reporting Period, the Group's revenue from business in the PRC was RMB7,614.2 million (the corresponding period of 2018: RMB7,157.2 million), representing a year-on-year increase of 6.4%. The increase in revenue was mainly because of the growth of the Group's business driven by strong market demand for truck bodies for specialty vehicles in the PRC market along with the enhanced construction of infrastructure in the PRC. The Group has sold 32,574 vehicles in the first half of the year, representing an increase of 18.9% as compared with that during the corresponding period of 2018. During the Reporting Period, the revenue from the Group's business in the PRC accounted for 60.4% of the Group's total revenue.

3 include approximately 40 other countries, principally Algeria, Australia, Indonesia, Japan, Malaysia, Saudi Arabia, South Africa, Thailand and Vietnam.

North America

As affected by the Sino-US trade friction and the slowdown of domestic economic growth, the US transportation market experienced a slow downward trend in the first half of 2019. During the Reporting Period, the Group's revenue from business in North America was RMB3,032.8 million (the corresponding period of 2018: RMB2,347.8 million), representing a year-on-year increase of 29.2%. The increase in revenue was mainly because (1) the Group captured opportunities arising from the North American market and actively integrated the resources of supply chains, and the sales of the dry van trailer and refrigerated trailer increased; and (2) it was affected by the appreciation of US dollar exchange rates. Of which: the Group has sold 6,951 dry van trailers and 2,479 refrigerated trailers in the first half of the year, representing an increase of 23.0% and 67.0% as compared with those during the corresponding period of 2018, respectively. During the Reporting Period, the revenue from the Group's business in North America accounted for 24.1% of the Group's total revenue.

Europe

As affected by uncertain factors such as Brexit, the European market was under adjustment in the first half of 2019 and the total demand tended to decline slightly. During the Reporting Period, the Group's revenue from business in Europe was RMB1,358.3 million (the corresponding period of 2018: RMB1,231.6 million), representing a year-on-year increase of 10.3%. The increase in revenue was mainly due to (1) the strategic integration of businesses of SDC Trailers Ltd. (including technology upgrades, cost reduction and efficiency improvement and supply chain optimization, etc.); and (2) the exploration of new markets and development of new products such as tank containers by Lag Trailers NV Bree in Belgium, through which the Group's business layout was expanded in the European market, and the Group achieved sales of 6,735 semi-trailers across Europe, representing an increase of 13.5% as compared with that during the corresponding period of 2018. During the Reporting Period, the revenue from the Group's business in Europe accounted for 10.8% of the Group's total revenue.

Other Regions

In the first half of 2019, other region markets were affected by price fluctuations of commodities such as crude oil and iron ore, and the investors confidence in market has not yet fully recovered, but the demand for logistics semi-trailers increased due to the economic development of emerging countries represented by Africa, infrastructure construction led by Southeast Asia, and the gradual improvement of road regulations in multiple countries. During the Reporting Period, the Group's revenue from business in other regions was RMB599.8 million (the corresponding period of 2018: RMB542.8 million), representing a year-on-year increase of 10.5%. The increase in revenue was mainly due to the business structuring of and strategy adjustment to subsidiaries in other regions by the Group, through which the Group achieved sales of 5,252 semi-trailers across other regions, representing an increase of 27.2% as compared with that during the corresponding period of 2018. During the Reporting Period, the revenue from the Group's business in other regions accounted for 4.7% of the Group's total revenue.

Future Plans and Strategies

Macro Policies:

1. In May 2019, the State Council of the People's Republic of China (the "**State Council**") forwarded the "Guideline to Boost the Restructuring and Upgrading of the Road Freight Sector to Promote High-Quality Development (《關於加快道路貨運行業轉型升級促進高質量發展的意見》)" (the "**Guideline**") jointly issued by 13 ministries and commissions including the Ministry of Transport and National Development and Reform Commission of the People's Republic of China, which put forward many important policies in terms of road freight, multimodal transport, governance of over-limit and overload freight trucks, new energy vehicles entering the city. Focusing on the prominent problems in the current development of road freight industry, the Guideline deployed the key tasks from five aspects, including deepening the reformative initiative of "streamlining administration, delegating powers and improving administration" in the truck industry, promoting the continuous replacement of traditional energy with new energy, speeding up the upgrading and transformation of vehicle equipment, improving the working environment of the freight market and enhancing the governance capacity of the freight market.

2. The PRC Government Work Report issued in March 2019 proposed that the expressway toll stations on provincial border across the country would be basically cancelled within two years, the toll road system reform shall be deepened to promote the reduction of tolls for bridge and road, and the unreasonable approval for passenger and freight vehicles, indiscriminate charges and indiscriminate fines shall be governed. It also proposed to deepen the reform of road system and significantly improve the working environment for freight transport.

3. On July 3, 2018, the State Council published the "Three-Year Action Plan to Win the Battle for a Blue Sky (《打贏藍天保衛戰三年行動計劃》)", which required the targets and implementation plans for early elimination and upgrade of commercial diesel trucks and gas vehicles should be formulated in three regions, including the Beijing-Tianjin-Hebei Region and its peripheral areas, the Fenhe-Weihe Plain and the Yangtze River Delta. By the end of 2020, the Beijing-Tianjin-Hebei Region and its peripheral areas and the Fenhe-Weihe Plain should eliminate more than 1 million heavy and medium trucks with emissions at or below the national emission standards for the third stage.

4. Through actively responding to the call of national policies, the Group has initially completed the "organizational restructuring and production line upgrading" in the PRC, and currently has three intelligent manufacturing "Light Tower" plants in place for the upgrading of transportation equipment. Meanwhile, the Group is simultaneously carrying out strategic upgrading of the marketing model, taking the lead in creating the transformation of second-generation semi-trailer product system in the PRC and marketing model for the era of great changes for road freight industry in the PRC.

5. The Group and "China Association of Automobile Manufactures Specialty Vehicle Branch (中國汽車工業協會專用車分會) and Hanyang Specialty Vehicle Institute (漢陽專用汽車研究所)" initiated the establishment of "Association of China High Quality Development of Trailer (中國掛車高質量發展聯席會)" (referred to as: G20 Trailers Association) to cooperate with the implementation of the new national standards for the second generation semi-trailers, strengthen resource sharing, jointly discuss and promote high quality and healthy development of the industry.

6. The Group has commenced to mobilize resources and actively organize the industry associations, traders and customers in the USA to apply for a waiver of 25% tariff, and the application process is expected to be completed in September 2019.

Strategies:

The Group's objective is to strengthen our leading position in the global semi-trailer market. To this end, the Group intends to implement the following strategies:

Further digitalize our production process

With the successful implementation of our "Light Tower" plants to automate our manufacturing and assembly plants, the Group believes our production quality, efficiency and flexibility can be further enhanced by digitalizing our production process. The digitalized manufacturing and assembly plants planned by the Group represent an upgrade from our automated production facility to a fully connected and flexible one, which is capable of utilizing data from connected operations and production systems for resource control and optimization, and which can adapt our existing automated manufacturing process to accommodate new products.

In our digitalized manufacturing and assembly plants, the Group will introduce a Product Lifecycle Management System (PLM) and a Manufacturing Executive System (MES) for smart manufacturing planning and management. By digitalizing our automated production lines, the Group can utilize data analysis to plan production design, cost and resources before production. Therefore, the Group can further utilize our current facilities to accommodate a broad spectrum of product offerings to cater to different requirements across regions.

Promote an agile organization adaptive to digitalized manufacturing and operation

Along with the digitalization of our "Light Tower" plants, the Group plans to adapt our management and organization of these plants accordingly, in terms of both production processes and technologies. The Group will promote an agile organization with flexible decision-making processes by utilizing advanced information systems for resource control and optimization. For example, our Shenzhen plant and digitalized Tonghua plant will share one back-office for product design and raw material procurement and reorganize production and operation functions by product type. Through such arrangements, the Group can efficiently adjust our production lines and respond more quickly to the evolving market demand. The Group's digitalized manufacturing plants will also replace physical quality control with real-time inspection through data collection and analysis.

In addition, the Group aims to carry out such strategy by further enhancing management model innovation and cultivating talent specifically for our digitalized manufacturing and assembly plants. The Group regards the achievement and success of our employees as the source and the foundation for our healthy and sustainable development. By implementing this strategy, the Group seeks to strengthen our competitiveness and promote healthy and sustainable development.

Continue to develop new products and improve product features

The Group will continue to focus our efforts on developing new products and improving product features. With the development of our Product Lifecycle Management System and automated manufacturing process, the Group plans to develop new products on our product development platform by adopting digital design modeling and digital manufacturing simulation. Such development platform is intended to enhance flexibility and to allow the Group to allocate our manufacturing capacity more efficiently to meet rapidly changing market trends.

In particular, the Group intends to develop smart trailers, which will provide our customers with highly efficient fleet operation, reliable trailer and cargo management and flexible customization. The Group plans to equip our smart trailers with sensors for real-time operation and cargo space monitoring, a smart trailer terminal to transmit data and a battery pack or solar panel to power the related digital device. In 2017, the Group established Shenzhen SF-Trailernet Technology Co., Ltd. (深圳市星火車聯有限公司) together with a Shenzhen-based technology company to develop smart trailer terminals, and in June 2018, the Group started commercial trials of smart trailer terminals in the US.

In addition, the Group will develop and launch our high-end refrigerated trailers to further enhance our brand name and increase our global market share of refrigerated trailers. The Group also intends to invest in the research and development of product standardization, weight reduction and modulization in our US and European manufacturing plants, as well as the development of other trailer products for the PRC, North American and European markets.

Capture emerging business opportunities with growth potential

The Group will continue to enhance our performance and market position by pursuing business opportunities in specific regions or niche product segments with sustainable growth potential. In the past, by leveraging our industry expertise and experience, the Group successfully identified and captured business opportunities through the introduction of bespoke oil tank trailers in the Middle East in 2013. The Group also introduced center-axle car carriers in the PRC in 2017. The Group has also focused on developing and launching swap bodies in Europe in response to increasing demand from European logistics companies driven by the fast growing European e-commerce industry. The Group will continue to utilize this capability in the future.

The Group believes that we can utilize our digitalized production capability to adapt to the fast-evolving and differentiated market demand more flexibly, so as to reduce costs and achieve sustainable growth in profitability in the long run.

Strengthen our global operations with comprehensive local knowledge

The Group will continue to deepen our global operations and enhance our market share in selected markets. To achieve this goal, the Group plans to focus our efforts on expanding and upgrading our manufacturing and assembly capabilities. The Group also actively explores opportunities across regions, to create synergies with local brands in terms of design, manufacturing and sales support.

- *North America:* The Group intends to increase our production and/or assembly capability for refrigerated trailers and chassis trailers in the US. In particular, the Group plans to (i) develop a new automated production facility for chassis trailers so that the Group will be capable of manufacturing chassis trailers locally in the US to maintain closer business relationships with existing North American customers headquartered in the eastern US and to mitigate the adverse effects on the Group from any increase in the US import tariffs on semi-trailers and components imported from the PRC; (ii) develop a new automated production facility for refrigerated trailers in the US to further enhance our refrigerated trailer production capacity and increase our market share in North America by capitalizing on the more automated facilities equipped in such new production facility and the consequent improved production efficiency and lower unit production cost, to meet diversified and changing market demand through our differentiated products with different target markets, and to mitigate the adverse effects on the Group from any increase in the US import tariffs on semi-trailers and components imported from the PRC; (iii) develop a new assembly plant for high-end refrigerated trailers in the US over the next five years to support our manufacturing capacity in the PRC, to effectively stimulate customer demand through product upgrading and to further enhance our brand value and increase our market share for refrigerated trailers in North America by capitalizing on the more automated facilities equipped in the new assembly plant as well as the higher thermal efficiency of our high-end refrigerated trailers under development that are expected to have lower heat leakage; and (iv) discuss the development of a new plant for refrigerated trailers in Canada to enhance our assembly and delivery capabilities, and to increase market share through further expanding the refrigerated trailers market in Canada. The Group believes that the proposed new manufacturing and assembly plants can help the Group enhance our production, assembly and delivery capacity to meet the market demand in North America, and gain local customers' recognition of the coherence of our manufacturing and assembly process and product quality. In addition, with the local manufacturing and assembly plants closer to customers, the Group can respond to local customers' needs and market changes more efficiently through frequent communications and more diverse after-sales services to deepen our market penetration and enhance customer loyalty to the Group.

- *Europe:* The Group intends to increase our assembly capability for semi-trailers in Europe. In particular, the Group plans to develop (i) a new assembly plant for semi-trailers in the UK to support the assembly of our semi-trailers manufactured in the PRC and then assembly and delivery in Europe and to increase our market share in Europe; (ii) a new assembly plant for semi-trailers in the Netherlands to further promote our semi-trailers products and to increase our production and delivery capacity for semi-trailers in Europe to capture local demand; and (iii) a new assembly plant for high-end refrigerated trailers in the UK or Poland to support our launch and sale of our high-end refrigerated trailers to enter the European refrigerated trailer market. With the local assembly plants closer to European customers, the Group can shorten delivery time, diversify after-sales services, and better adapt our products to local market changes efficiently to maintain closer relationship with European customers and enhance customer loyalty to the Group.

- *The PRC:* The Group has adhered to the "transformation and upgrading of production line" for a long term. In 2014, the Group launched our "Light Tower" plants in the PRC, which used highly automated equipment, such as digital laser cutters, robotic welding stations and KTL and powder coating lines, to help the Group improve product quality and consistency, enhance productivity and cost efficiency. In addition, the Group has adopted environmentally friendly technologies, such as KTL to reduce waste discharge. Currently, the Group has three automated "Light Tower" plants in Dongguan, Yangzhou and Zhumadian respectively, and is implementing "transformation and upgrading of production line" for partial or overall plants in Wuhu, Liangshan and Luoyang.

- *Other regions:* By adhering to the channel construction strategy, the Group consolidates the overseas operation platform through measures such as adjustment and transformation, management upgrading and business structuring. The Group also actively explores and builds a network of distribution channels, and adheres to business innovation and marketing upgrades, to continuously enhance our competitiveness in emerging markets.

Through continual efforts in expanding and upgrading prouduction lines and establishing assembly plants, the Group will be able to further reduce procurement costs and meanwhile have more comprehensive production resources to capture evolving market demand and growth in various regions.

The Group insists our belief in "global operation, local knowledge" (全球營運, 地方智慧) in order to distinguish the Group from our competitors and it is the key to our continued growth and leading position in the global semi-trailer industry. In particular, the Group attributes the success of our "global operation" to our strong capabilities in terms of cross-over design, inter-continental production and global supply chain. The Group believes that "local knowledge" allows the Group to capture local market opportunities more efficiently, and to leverage the knowledge and experience of localized management teams to better understand local customers' preferences and regulatory requirements, which allows the Group to overcome difficulties arising from cultural and geographical differences. The continuous pursuit and implementation of "global operation, local knowledge" by the Group has allowed the Group to expand our business in global markets and to create synergies among our subsidiaries in different countries in terms of design, supply chain, manufacturing and assembly, as well as sales and services.

Financial Review

Liquidity and Financial Resources

As of June 30, 2019, the Group had cash and cash equivalents of RMB2,173.5 million (December 31, 2018: RMB2,617.0 million). As of June 30, 2019, the Group had borrowings of RMB1,794.6 million (December 31, 2018: RMB2,291.2 million).

	As of June 30, 2019	As of December 31, 2018
	RMB in millions	*RMB in millions*
Long-term borrowings		
– Loans from related parties	**–**	79.6
– Bank borrowings, guaranteed	**100.5**	231.0
Subtotal	**100.5**	310.6
Short-term borrowings		
– Bank borrowings	**1,109.6**	694.6
– Bank borrowings, guaranteed	**331.3**	303.5
– Loans from related parties	**80.0**	655.2
– Loans from related parties, guaranteed	**–**	165.3
– Discounted bills	**173.2**	162.0
Subtotal	**1,694.1**	1,980.6
Total borrowings	**1,794.6**	2,291.2

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

	June 30, 2019	December 31, 2018
	RMB in millions	*RMB in millions*
Within one year	**1,694.1**	1,980.6
One to two years	**–**	6.6
Two to five years	**100.5**	304.0
Total	**1,794.6**	2,291.2

There is no seasonal variation in the Group's borrowing needs. For the six months ended June 30, 2019, the weighted average interest rate for short-term borrowings was 4.49% (for the year ended December 31, 2018: 4.02%), and that for long-term borrowings was 5.23% (for the year ended December 31, 2018: 4.38%). Borrowings at fixed interest rates were approximately RMB694.5 million (as of December 31, 2018: RMB893.9 million); borrowings at floating interest rates were approximately RMB940.7 million (as of December 31, 2018: RMB1,248.9 million). It is expected that the Group's short-term borrowings will be repaid by its own funds or bank credit facilities, and long-term borrowings will also be repaid by its own funds or bank credit facilities. During the Reporting Period, the Group has maintained sufficient cash at bank and on hand to repay the due borrowings, and there was no material default in terms of borrowings.

As of June 30, 2019, the Group had bank credit facilities of RMB4,678.3 million and used bank credit facilities of RMB1,517.4 million (as of December 31, 2018: the Group had bank credit facilities of RMB3,669.4 million and used bank credit facilities of RMB1,067.5 million).

During the Reporting Period, the net cash inflow from operating activities was RMB855.2 million, representing an increase of RMB651.3 million (319.4%) as compared with the net cash inflow in the corresponding period of 2018, mainly due to a year-on-year increase of RMB1,325.7 million in revenue.

During the Reporting Period, the net cash outflow from investment activities was RMB70.1 million. The net cash outflow increased by RMB388.8 million as compared with the net cash inflow in the corresponding period of 2018, mainly due to the recovery of RMB419.9 million as a result of maturity of wealth management products in the corresponding period of 2018.

During the Reporting Period, the net cash outflow from financing activities was RMB1,234.9 million. The net cash outflow decreased by RMB72.9 million as compared with the net cash outflow in the corresponding period of 2018, mainly due to a decrease of RMB211.7 million in payment of dividends in 2019 as compared with the corresponding period of 2018 and the new prepaid land premium of RMB103.3 million during the Reporting Period.

As of June 30, 2019, the Group has current assets of RMB10,975.2 million (as of December 31, 2018: RMB11,138.7 million), and current liabilities of RMB8,241.2 million (as of December 31, 2018: RMB8,145.6 million). As of June 30, 2019, the Group's current ratio was approximately 1.3 times (as of December 31, 2018: 1.4 times). The current ratio equals to total current assets divided by total current liabilities. The decrease in the current ratio was mainly due to higher growth rate of current liabilities than that of current assets as a result of the increase in accounts payable and notes payable.

Capital Structure

During the Reporting Period, the Group had been adopting a prudent financial management policy and handling capital expenditures with caution. The funding policy of the Group is to secure sufficient funding to meet its working capital requirements and to maintain smooth operations. The Group will also utilize different equity and debt instruments of different tenures to obtain funding from the capital and financial markets overseas or in the PRC to achieve these objectives. 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, 2019, the Group's gearing ratio (equal to total debt divided by total equity multiplied by 100%) was 21.7% (as of December 31, 2018: 28.8%). The decrease in gearing ratio was mainly due to repayment of borrowings during the Reporting Period.

As of June 30, 2019, the Group's cash and cash equivalents were mainly denominated in Renminbi, and borrowings were also mainly denominated in Renminbi. The Group was exposed to foreign exchange risk primarily through sales and purchases, capital expenditures and 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 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 terms of the Group's hedging activities are required to be less than six months or the term of the relevant borrowings. The management of the Group reviews the market environment and its own foreign exchange risk profile on a regular basis, and considers appropriate hedging measures when necessary. As of June 30, 2019, the foreign exchange forward contracts held by the Group were mainly outstanding USD to RMB forward contracts and GBP to USD forward contracts with a notional amount of US$20 million and GBP3 million, and four outstanding USD-denominated currency swap contracts with a notional principal amount of US$45.1 million.

Capital Commitments

As of June 30, 2019, the Group's capital commitments were approximately RMB199.4 million (December 31, 2018: approximately RMB72.7 million), representing an increase of 174.3%, mainly due to the increased production and assembly in the PRC as a result of the expansion and upgrading of the Group. The Group has funded and will continue to fund a substantial portion of our capital commitments from operating cash flow and proceeds from borrowings. During the Reporting Period, our capital commitments were mainly attributable to the construction or purchase of manufacturing plants which had been authorized and contracted.

Significant investment during the Reporting Period

During the Reporting Period, the Group had no significant investment.

Details of material acquisitions and disposals related to subsidiaries, associates and joint ventures

During the Reporting Period, the Group had no material acquisitions and disposals related to subsidiaries, associates and joint ventures.

Charges on the Group's Assets

As of June 30, 2019, the Group had not charged any assets.

Plans for significant investment or purchase of capital assets in the future and its financing proposals

The Group plans (1) to establish a new automated production facility for refrigerated trailers in the US to further enhance our refrigerated trailer production capacity and increase our market share in North America by capitalizing on the more automated facilities equipped in such new production facility and the consequent improved production efficiency and lower unit production cost; (2) to discuss to establish a new plant for refrigerated trailers in Canada to improve our assembly and delivery capability and thus meet the demand of North America market; and (3) to build assembly points for semi-trailers in Europe to rapidly expand the European market, forming a strategic echo with our companies located in Europe in terms of product layout and market coverage, and thus expand our market share in Europe.

The aforesaid investment plans will be funded by the proceeds of the Global Offering and self-raised funds.

Contingent Liabilities

(1) Financial guarantees

The Group entered into financial guarantee contracts relating to vehicle loans mainly with China Merchants Bank, China Everbright Bank, China Construction Bank, Bank of Communications, Bank of China 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, 2019, the outstanding balance of the above guarantees provided by the Group to dealers and customers totalled RMB1,636.7 million (December 31, 2018: RMB1,253.5 million), and the bank deposits pledged for these guarantees were RMB117.4 million (December 31, 2018: RMB89.3 million).

(2) Outstanding performance bond and letter of credit

As of June 30, 2019, the Group had outstanding performance bond and letter of credit a total of RMB34.9 million (December 31, 2018: RMB2.4 million).

Number and remuneration of employees, remuneration policy and training plan

As at June 30, 2019, the Group had approximately 14,218 full-time employees (the corresponding period of 2018: 14,784). The decrease in the number of employees was mainly due to organizational adjustments and production adjustments at some manufacturing plants. During the Reporting Peiod, the employee benefits expenses amounted to approximately a total of RMB993.2 million (the corresponding period of 2018: RMB926.1 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 apply for subsidies to participate in relevant professional trainings offered by recognized institutions.

Interim Dividend

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2019.

Use of Proceeds from Global Offering

Since July 11, 2019, the Company's H shares have been listed and traded on the Stock Exchange. The issue price was determined at HK$6.38 per offer share (excluding brokerage of 1.0%, the Securities and Futures Commission of Hong Kong transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%). The Company has issued a total of 265,000,000 H shares in the Global Offering. After deducting the underwriting commissions, the maximum amount of incentive fee and discretionary bonus, and related expenses paid or payable by the Company in relation to the Global Offering, and the net proceeds received by the Company from the Global Offering are approximately HK$1,575.2 million. The nominal value of the Company's H shares is RMB1.00 per H share.

As of July 11, 2019, the proceeds from the Global Offering have not yet been utilized.

The Company will utilize the proceeds from the Global Offering for the same purposes and during the same expected periods as set out in the prospectus dated June 27, 2019:

– approximately 70% of the net proceeds to develop new manufacturing or assembly plants in the US and Europe;

– approximately 10% of the net proceeds to research and develop new products;

– approximately 10% of the net proceeds to repay the principal of the following bank borrowings of the Company; and

Bank	Maturity date	Interest rate
Bank Mendes Gans N.V.	November 2019	4.8%
ING Bank N.V.	June 2021	1.48% plus one-month LIBOR
China Everbright Bank	June 2021	110% of the three-year benchmark lending rate in the PRC

– approximately 10% of the net proceeds for working capital and general corporate purposes.

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.

Corporate Governance

Corporate Governance Practices

The directors of the Company recognize the importance of good corporate governance in the management of the Group. As the Company was listed on July 11, 2019, the Company was not required to comply with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Reporting Period. The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules from July 11, 2019.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive directors, namely, Mr. Cheng Hok Kai Frederick, Mr. Feng Jinhua and Mr. Fan Zhaoping. Mr. Cheng Hok Kai Frederick is the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and supervise our financial reporting process, including:

(1) to make recommendations to our Board on the appointment, reappointment and removal of the external auditor, to consider and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

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

(3) to develop and implement policy on engaging an external auditor to provide non-audit services;

(4) to monitor internal audit system of our Company and ensure the implementation of such systems;

(5) to facilitate communications between the internal audit department and external auditors;

(6) to review the financial information and relevant disclosures of our Company; and

(7) to monitor our Company in respect of financial reporting system, risk management and internal control system.

The interim financial results are unaudited but have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, and the Audit Committee. The Audit Committee has no disagreement on the accounting treatment adopted by the Company.

Securities Transactions by Directors and Supervisors

The Company has adopted a set of code of conduct in connection with securities transactions by directors and supervisors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. As the Company had not been listed during the Reporting Period, the Model Code was not applicable to the Company during the Reporting Period. However, upon the enquiries made to all directors and supervisors of the Company, they confirmed that they have complied with the standards for securities transactions by directors and supervisors as set out in the Model Code and the code of conduct of the Company from July 11, 2019.

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

Hong Kong, August 26, 2019

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

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