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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)

ANNOUNCEMENT

CHANGE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING AND CHANGES IN USE THEREOF

References are made to the announcements of CIMC Vehicles (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) dated 10 July 2019, 26 August 2019, 5 December 2019, 25 March 2020 and 27 August 2020 (the “**Announcements**”), respectively, and the 2019 interim report, the 2019 annual report and the 2020 interim report of the Company (the “**Reports**”), in relation to use of the proceeds from the Global Offering. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements and the Reports.

CHANGE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

Recently, based on the application process requirements of the Shenzhen Stock Exchange for the initial public offering of A shares and listing on the ChiNext Market, the Company particularly engaged an accounting firm to perform a reasonable assurance engagement on the Company’s use of the proceeds previously raised as of 30 June 2020 and issue the “Assurance Report on Use of the Proceeds Previously Raised as of 30 June 2020”. According to the assurance results, the Company realized that, the net proceeds from the Global Offering shall be approximately HK\$1,591.3 million, representing an increase of approximately HK\$16.1 million (the “**Increased Amount**”) as compared with that disclosed in the Announcements and the Reports, which is due to the fact that the final underwriting commission, discretionary bonus and other listing expenses of the Company that can be actually capitalized are lower than the estimated amount. Considering that the Increased Amount accounts for a small proportion of the net proceeds from the Global Offering (approximately 1.0%), the Company intends to allocate all the Increased Amount under the item “Working capital and general corporate purposes”.

CHANGES IN USE OF THE PROCEEDS FROM THE GLOBAL OFFERING

In light of the reasons as set out in the paragraph headed “Reasons for and Benefits of the Changes in Use of the Proceeds from the Global Offering” below, the Board has resolved to make further adjustments to the intended use of the net proceeds from the Global Offering, which are presented as follows:

	Original intended amount <i>(HK\$' million)</i>	Utilized amount as of 30 June 2020 <i>(HK\$' million)</i>	Unutilized amount as of 30 June 2020 <i>(HK\$' million)</i>	Amount revised of intended use <i>(HK\$' million)</i>	Further revised allocation of unutilized amount <i>(HK\$' million)</i>
Intended use of net proceeds					
Develop new manufacturing or assembly plants and upgrade the marketing model	1,102.7	78.2	1,024.5	-	1,024.5
- Develop a new automated production facility for chassis trailers in the coastline regions along the eastern or southern US (the "US Chassis Trailers Project")	220.5	-	220.5	(181.3)	39.2
- Develop a new assembly plant for high-end refrigerated trailers in the UK or Poland	220.5	-	220.5	-	220.5
- Develop a new automated production facility for refrigerated trailers in Monon, the US	165.4	78.2	87.2	-	87.2
- Develop a new assembly plant for curtain-side trailers in the Midlands region of the UK	165.4	-	165.4	-	165.4
- Develop a new assembly plant for swap bodies and a new assembly plant for chassis and flatbed trailers in the Netherlands	105.3	-	105.3	-	105.3
- Develop a new assembly plant for refrigerated trailers in Canada	39.0	-	39.0	-	39.0
- Develop a new manufacturing plant in Jiangmen, China	87.0	-	87.0	-	87.0
- Upgrade the marketing model in China	99.6	-	99.6	-	99.6
- Technical reform and informatization construction for Xi'an plant in China <i>(Note 1)</i>	-	-	-	32.9	32.9
- Develop a new manufacturing plant in Baoji City, China <i>(Note 1)</i>	-	-	-	70.0	70.0
- Build a vehicle park in Kunming, China <i>(Note 1)</i>	-	-	-	78.4	78.4
Research and develop new products	157.5	-	157.5	-	157.5
- Invest in industrial funds <i>(Note 1)</i>	-	-	-	84.1	84.1
- Develop high-end refrigerated trailers	63.0	-	63.0	(36.7)	26.3
- Develop other smart trailers	31.5	-	31.5	(15.8)	15.7
- Invest in product standardization, unit weight reduction and modulization in our European and US plants	31.5	-	31.5	(15.8)	15.7
- Develop other trailer products	31.5	-	31.5	(15.8)	15.7
Repay the principal amount and interests of bank borrowings	157.5	153.8	3.7	-	3.7
Working capital and general corporate purposes	157.5	151.5	6.0	16.1	22.1
Total <i>(Note 2)</i>	1,575.2	383.5	1,191.7		1,207.8

Notes:

- (1) New use of net proceeds.
- (2) As disclosed in the section headed "CHANGE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING" of this announcement, the revised net proceeds from the Global Offering shall be approximately HK\$1,591.3 million.

REASONS FOR AND BENEFITS OF THE CHANGES IN USE OF THE PROCEEDS FROM THE GLOBAL OFFERING

Changes in the intended use under the item “Develop new manufacturing or assembly plants and upgrade the marketing model”

Considering the impacts, to a certain extent, on the business development of the Group in North America brought by the uncertainties of the Sino-US trade disputes and the global outbreak of COVID-19 epidemic in the first half of 2020, the Board decides to reduce the original investment amount in the US Chassis Trailers Project by HK\$181.3 million and reallocate the same to the new projects in China as described in the table above, details of which are as follows:

1. Technical reform and informatization construction for Xi’an plant in China

Reference is made to “MANAGEMENT DISCUSSION AND ANALYSIS” of the 2019 annual report and the 2020 interim report of the Company, in relation to, among others, key initiatives to improve long-term competitiveness such as upgrade of “Product Module” and Improvement of “Light Tower Plants”. Pursuant to which, the Group intends to transform the existing Xi’an “Light Tower Plants” through product modular construction, informatization construction and production line expansion, to build a high-end manufacturing system, increase the existing manufacturing capacity and meet the requirements for rapid delivery, so as to maintain industry competitiveness. The Group plans to invest approximately HK\$32.9 million in this project with the net proceeds from the Global Offering and put it into use within the next two years from the date of this announcement.

2. Develop a new manufacturing plant in Baoji City, China

To put more efforts to work with tractor manufacturers, to enhance the scale of manufacturing and procurement, and to add value to the tractor manufacturers, the Company plans to develop a new manufacturing plant in Baoji City, China. The types of product include track bodies for specialty vehicles, semi-trailers and van truck bodies. The Group plans to invest approximately HK\$70.0 million in this project with the net proceeds from the Global Offering and put it into use within the next two years from the date of this announcement.

3. Build a vehicle park in Kunming, China

To promote the integration of the Group’s resources in logistics equipment industry and the strategic development layout of the vehicle park in the southwestern region, the Company plans to build a vehicle park in Kunming, aiming to build a commercial and trade logistics hub with advanced logistics equipment and smart logistics services. The Group plans to invest approximately HK\$78.4 million in this project with the net proceeds from the Global Offering and put it into use within the next two years from the date of this announcement.

Changes in the intended use under the item “Research and develop new products”

Based on the Company’s recognition of the future development of the intelligent logistics equipment and service industry, and to quickly absorb the innovation and entrepreneurial achievements of related industries and develop the industrial layout around the ecosystem to provide new momentum for the future growth in the Company’s principal business and its market value management, the Company plans to set up, as a limited partner, an industrial fund (the “**Fund**”) jointly with independent third parties. The Fund raised in this tranche is RMB200 million, focusing on investment in innovative and entrepreneurial projects in the fields of intelligent logistics equipment, logistics informatization and logistics services, etc., including technological exploration, technological innovation and business innovation projects. The Company intends to invest in the Fund approximately HK\$84.1 million from the net proceeds of the Global Offering and put it into use within the next five years from the date of this announcement.

The Board believes that (1) the changes in use of the net proceeds from the Global Offering will enable more effective use of the Group’s financial resources and be more conducive to the needs of the Group’s business operations; (2) despite the reallocation of the net proceeds from originally assigned US Chassis Trailers Project to new projects in China, the business development direction of new projects in China is still consistent with the Group’s business strategy of “Develop new manufacturing or assembly plants and upgrade the marketing model”; and (3) the above reallocation of proceeds from the Global Offering is fair and reasonable and in the interests of the Company and all shareholders, and will not have any material adverse impact on the existing business and operations of the Group.

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

Hong Kong, 11 October 2020

*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. Huang Haicheng**, Mr. Chen Bo**, Mr. Feng Jinhua***, Mr. Fan Zhaoping*** and Mr. Cheng Hok Kai Frederick***.*

* *Executive Director*

** *Non-executive Directors*

*** *Independent non-executive Directors*