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

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

**(Stock Code: 1839)**

## ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

**FINANCIAL HIGHLIGHTS**

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | **2020** | 2019 | Change |
| Revenue | *RMB'000* | **26,247,156** | 23,220,206 | +13.0% |
| Profit for the year | *RMB'000* | **1,269,347** | 1,326,461 | -4.3% |
| Profit attributable to owners of the Company | *RMB'000* | **1,131,545** | 1,210,643 | -6.5% |
| Gross profit margin | *%* | **11.7** | 12.9 | -1.2 pct points |
| Profit margin for the year | *%* | **4.8** | 5.7 | -0.9 pct point |
| Profit margin attributable to owners of the Company | *%* | **4.3** | 5.2 | -0.9 pct point |
| Earnings per share – Basic and diluted | *RMB* | **0.64** | 0.75 | -0.11 |

The Board of Directors (the "**Board**") of CIMC Vehicles (Group) Co., Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") announces the audited financial results of the Group for the year ended December 31, 2020 (the "**Reporting Period**") together with the comparative figures for the year ended December 31, 2019, as follows:

**CONSOLIDATED INCOME STATEMENT**

| | | Year ended December 31, | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *4* | **26,247,156** | 23,220,206 |
| Cost of sales | | **(23,186,611)** | (20,235,437) |
| **Gross profit** | | **3,060,545** | 2,984,769 |
| Selling and distribution expenses | | **(665,769)** | (596,778) |
| Administrative expenses | | **(1,253,876)** | (1,300,427) |
| Net impairment (losses)/gains on financial assets and financial guarantee contracts | | **(59,352)** | 1,181 |
| Other income | *5* | **445,615** | 367,747 |
| Other (losses)/gains – net | *6* | **(9,465)** | 129,383 |
| **Operating profit** | | **1,517,698** | 1,585,875 |
| Finance income | | **51,758** | 104,777 |
| Finance costs | | **(65,171)** | (132,946) |
| Finance costs – net | | **(13,413)** | (28,169) |
| Share of net profit of associates and joint ventures | | **13,416** | 13,037 |
| **Profit before income tax** | | **1,517,701** | 1,570,743 |
| Income tax expense | *7* | **(248,354)** | (244,282) |
| **Profit for the year** | | **1,269,347** | 1,326,461 |
| **Attributable to:** | | | |
| Owners of the Company | | **1,131,545** | 1,210,643 |
| Non-controlling interests | | **137,802** | 115,818 |
| | | **1,269,347** | 1,326,461 |
| **Earnings per share (expressed in RMB per share)** | | | |
| – Basic and diluted | *8* | **0.64** | 0.75 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Profit for the year | **1,269,347** | 1,326,461 |
| **Other comprehensive income:** | | |
| *Items that maybe reclassified to profit or loss* | | |
| Currency translation differences | **(128,146)** | 61,679 |
| Cash flow hedges | **1** | (141) |
| **Other comprehensive income for the year, net of tax** | **(128,145)** | 61,538 |
| **Total comprehensive income for the year** | **1,141,202** | 1,387,999 |
| **Total comprehensive income for the year attributable to:** | | |
| Owners of the Company | **1,004,517** | 1,270,813 |
| Non-controlling interests | **136,685** | 117,186 |
| | **1,141,202** | 1,387,999 |

## CONSOLIDATED BALANCE SHEET

| | | As at December 31, | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,516,730** | 4,016,070 |
| Right-of-use for land use rights | | **799,986** | 746,961 |
| Right-of-use assets | | **203,515** | 136,938 |
| Investment properties | | **385,673** | 382,659 |
| Intangible assets | | **536,011** | 554,772 |
| Investments accounted for using the equity method | | **183,521** | 252,287 |
| Deferred tax assets | | **144,165** | 169,667 |
| Other non-current assets | | **90,028** | 59,178 |
| | | **6,859,629** | 6,318,532 |
| **Current assets** | | | |
| Inventories | | **3,792,612** | 3,829,425 |
| Tax recoverable | | **154,405** | 117,581 |
| Other current assets | | **36,291** | 12,227 |
| Contract costs | | **1,000** | 10,668 |
| Trade and bill receivables | *10* | **2,861,016** | 2,304,107 |
| Prepayments and other receivables | *11* | **538,336** | 650,331 |
| Financial assets at fair value through profit or loss | | **136,785** | 215,255 |
| Financial assets at fair value through other comprehensive income | | **856,221** | 1,059,722 |
| Derivative financial instruments | | **619** | 778 |
| Restricted cash | | **268,038** | 278,780 |
| Cash and cash equivalents | | **4,269,376** | 3,791,161 |
| | | **12,914,699** | 12,270,035 |
| Assets held for sale | | **50,832** | 92,517 |
| | | **12,965,531** | 12,362,552 |
| **Total assets** | | **19,825,160** | 18,681,084 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

| | Note | As at December 31, 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 12 | **394,844** | 88,500 |
| Non-current lease liabilities | | **160,064** | 96,031 |
| Deferred income | | **55,104** | 25,659 |
| Long-term payables | | **29,790** | 562 |
| Deferred tax liabilities | | **127,763** | 128,483 |
| | | **767,565** | 339,235 |
| **Current liabilities** | | | |
| Trade and bill payables | 13 | **4,344,002** | 3,617,559 |
| Other payables and accruals | 14 | **2,196,838** | 2,001,109 |
| Contract liabilities | | **767,577** | 524,557 |
| Borrowings | 12 | **830,613** | 1,566,176 |
| Lease liabilities | | **25,945** | 27,276 |
| Income tax liabilities | | **133,233** | 117,124 |
| Derivative financial instruments | | **114** | – |
| Provisions | | **175,953** | 125,417 |
| Deferred income | | **49,918** | 141,957 |
| Other current liabilities | | **84,702** | – |
| | | **8,608,895** | 8,121,175 |
| **Total liabilities** | | **9,376,460** | 8,460,410 |
| **Net assets** | | **10,448,700** | 10,220,674 |
| **EQUITY** | | | |
| Share capital | | **1,765,000** | 1,765,000 |
| Reserves | | **3,608,694** | 3,682,651 |
| Retained earnings | | **4,588,540** | 4,302,864 |
| **Equity attributable to owners of the Company** | | **9,962,234** | 9,750,515 |
| **Non-controlling interests** | | **486,466** | 470,159 |
| **Total equity** | | **10,448,700** | 10,220,674 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Attributable to equity owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital *RMB'000* | Reserves *RMB'000* | Retained earnings *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| **Balance at January 1, 2020** | 1,765,000 | 3,682,651 | 4,302,864 | 9,750,515 | 470,159 | 10,220,674 |
| **Comprehensive income** | | | | | | |
| Profit for the year | – | – | 1,131,545 | 1,131,545 | 137,802 | 1,269,347 |
| Currency translation differences | – | (127,029) | – | (127,029) | (1,117) | (128,146) |
| Cash flow hedges | – | 1 | – | 1 | – | 1 |
| **Total comprehensive income for the year** | – | (127,028) | 1,131,545 | 1,004,517 | 136,685 | 1,141,202 |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Acquisition of additional interest in a subsidiary | – | (568) | – | (568) | (153) | (721) |
| Transfer of statutory surplus reserves | – | 51,619 | (51,619) | – | – | – |
| Dividend paid | – | – | (794,250) | (794,250) | – | (794,250) |
| Dividends distribution made by subsidiaries to non-controlling interests | – | – | – | – | (123,457) | (123,457) |
| Others | – | 2,020 | – | 2,020 | 3,232 | 5,252 |
| **Total transactions with owners in their capacity as owners** | – | 53,071 | (845,869) | (792,798) | (120,378) | (913,176) |
| **Balance at December 31, 2020** | 1,765,000 | 3,608,694 | 4,588,540 | 9,962,234 | 486,466 | 10,448,700 |

## CONSOLIDATED CASH FLOW STATEMENT

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **2,961,222** | 2,076,166 |
| Income taxes paid | **(214,284)** | (230,362) |
| **Net cash inflow from operating activities** | **2,746,938** | 1,845,804 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(1,071,702)** | (874,829) |
| Payments for intangible assets | **(82,824)** | (4,173) |
| Payments for right-of-use for land use rights | **(32,005)** | (100,642) |
| Proceeds from disposal of property, plant and equipment | **240,008** | 82,356 |
| Payment for acquisition of financial assets at fair value through profit or loss | **–** | (196,451) |
| Proceed from disposal of financial assets at fair value through profit or loss | **80,000** | 2,197 |
| Payments for acquisition of a subsidiary, net of cash acquired | **(1,389)** | – |
| Payments for acquisition of associates | **(6,800)** | (13,130) |
| Proceeds from disposal of associates and a joint venture | **109,587** | – |
| Repayment of loans by related parties | **–** | 174,846 |
| Interest received from related parties | **–** | 18,025 |
| Dividends received from associates | **5,297** | 17,959 |
| **Net cash outflow from investing activities** | **(759,828)** | (893,842) |

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Cash flows from financing activities** | | |
| Proceeds of borrowings from related parties | **–** | 31,700 |
| Repayment of borrowings from related parties | **–** | (931,765) |
| Interest expenses paid to related parties | **–** | (8,362) |
| Proceeds from bank borrowings | **2,272,593** | 1,829,733 |
| Proceeds of borrowings from third party | **29,500** | – |
| Repayment of bank borrowings | **(2,701,812)** | (1,466,129) |
| Interest expenses for bank borrowings | **(60,739)** | (120,056) |
| Proceeds from issue of ordinary shares | **–** | 1,487,545 |
| Payments for ordinary shares issuance costs | **(15,748)** | (74,061) |
| Transaction with non-controlling interests | **–** | (131,851) |
| Dividend paid to owners of the Company | **(794,250)** | (400,000) |
| Dividend paid to non-controlling interests in subsidiaries | **(88,548)** | (7,466) |
| Cash payments for the principal portion of the lease liabilities | **(40,196)** | (28,695) |
| **Net cash (outflow)/inflow from financing activities** | **(1,399,200)** | 180,593 |
| **Net increase in cash and cash equivalents** | **587,910** | 1,132,555 |
| Cash and cash equivalents at the beginning of the year | **3,791,161** | 2,616,979 |
| Exchange (losses)/gains on cash and cash equivalents | **(109,695)** | 41,627 |
| **Cash and cash equivalents at end of year** | **4,269,376** | 3,791,161 |

## 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 for specialty vehicles 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 the PRC and has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange of the PRC, respectively.

These consolidated financial statements for the year ended December 31, 2020 is presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 25, 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

***(a) New and amended standards adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual Reporting Period commencing January 1, 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, and Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- COVID-19-Related Rent Concessions – Amendment to IFRS 16

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

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group as follows:

| | | **Effective for the financial year beginning on or after** |
|---|---|---|
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | Originally 1 January 2022, but extended to 1 January 2023 |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets Between an Investor and its Associate or Joint venture | To be determined |

The above new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2021 and have not been applied in preparing these consolidated financial statements. The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

## 3 SEGMENT INFORMATION

The Group's business activities, for which discrete consolidated financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the chief executive officer ("**CEO**"). Due to the similar economic characteristics of the production and sales of special vehicles and the similarity in the nature of products, the customer type, the way of selling products or providing services, and the influence of laws and administrative regulations, the Group is regarded as an operating segment. Therefore, there is no reportable segment information for the Group.

The information of the Group by region is as follows:

| | **Year ended December 31, 2020** | | | | |
|---|---|---|---|---|---|
| | **China** | **North America** | **Europe** | **Other regions** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Sales of vehicles | **18,085,108** | **3,692,053** | **1,482,786** | **958,180** | **24,218,127** |
| Sales of parts and components | **686,732** | **638,196** | **319,282** | **10,307** | **1,654,517** |
| Other revenue | **229,884** | **–** | **114,116** | **30,512** | **374,512** |
| Revenue in total | **19,001,724** | **4,330,249** | **1,916,184** | **998,999** | **26,247,156** |
| Cost of sales of vehicles | **(16,166,702)** | **(3,200,916)** | **(1,370,261)** | **(825,157)** | **(21,563,036)** |
| Cost of sales of parts and components | **(593,298)** | **(574,502)** | **(245,423)** | **(6,261)** | **(1,419,484)** |
| Cost of other revenue | **(92,509)** | **–** | **(91,230)** | **(20,352)** | **(204,091)** |
| Cost in total | **(16,852,509)** | **(3,775,418)** | **(1,706,914)** | **(851,770)** | **(23,186,611)** |
| Gross profit | **2,149,215** | **554,831** | **209,270** | **147,229** | **3,060,545** |

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

Gross profit reconciles to profit for the year as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Gross profit** | **3,060,545** | 2,984,769 |
| Selling and distribution expenses | **(665,769)** | (596,778) |
| Administrative expenses | **(1,253,876)** | (1,300,427) |
| Net impairment (losses)/gains on financial assets and financial guarantee contracts | **(59,352)** | 1,181 |
| Other income | **445,615** | 367,747 |
| Other (losses)/gains - net | **(9,465)** | 129,383 |
| Financial costs – net | **(13,413)** | (28,169) |
| Share of net profit of associates and joint ventures | **13,416** | 13,037 |
| Income tax expense | **(248,354)** | (244,282) |
| **Profit for the year** | **1,269,347** | 1,326,461 |

During the year ended December 31, 2020 and 2019, there was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue.

## 4 REVENUE

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

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers:** | | |
| Sales of vehicles | **24,218,127** | 21,399,288 |
| Sales of parts and components | **1,654,517** | 1,501,220 |
| Other revenue | **253,497** | 249,160 |
| | **26,126,141** | 23,149,668 |
| Recognized at a point in time | **25,960,090** | 22,997,030 |
| Recognized over time | **166,051** | 152,638 |
| **Revenue from other sources:** | | |
| Rental income | **121,015** | 70,538 |
| | **26,247,156** | 23,220,206 |

## 5 OTHER INCOME

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Government grants | **242,481** | 238,431 |
| Sales of scraps | **126,673** | 98,837 |
| Value-added services (a) | **4,351** | 21,764 |
| Others | **72,110** | 8,715 |
| | **445,615** | 367,747 |

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

## 6 OTHER (LOSSES)/GAINS – NET

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Fair value gains on investment properties | **3,060** | 231 |
| Net foreign exchange (losses)/gains | **(112,811)** | 45,624 |
| Net gains/(losses) on disposal of subsidiaries | **7,938** | (9,571) |
| Gains on disposal of property, plant and equipment | **9,553** | 21,472 |
| Losses on disposal of intangible assets | **–** | (657) |
| Gains on disposal of right-of-use for land use rights | **44,834** | 34,582 |
| Write-off of payables | **11,869** | 8,607 |
| Gains/(losses) on disposal of financial assets/liabilities at fair value through profit or loss and derivative financial instruments | **4,598** | (409) |
| Fair value gains on financial assets/liabilities at fair value through profit or loss and derivative financial instruments | **9,957** | 18,843 |
| Net (losses)/gains on disposal of associates and joint ventures | **(33)** | 177 |
| Penalty income | **6,610** | 7,441 |
| Others | **4,960** | 3,043 |
| | **(9,465)** | 129,383 |

## 7 INCOME TAX EXPENSE

The income tax expenses of the Group during each of the years ended December 31, 2020 and 2019 are analyzed as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **222,932** | 233,416 |
| Deferred income tax | **25,422** | 10,866 |
| Income tax expense | **248,354** | 244,282 |

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

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the year ended December 31, 2020 and 2019, 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, the United States, Europe, East Asia and South Africa, etc. The respective rates prevailing in the relevant jurisdiction are ranging from 15% to 30%.

## 8 EARNINGS PER SHARE

### (a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the year ended December 31, 2020 and 2019.

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to owners of the Company (RMB' 000) | **1,131,544** | 1,210,643 |
| Weighted average number of ordinary shares in issue (thousands of shares) | **1,765,000** | 1,610,417 |
| Earnings per share – Basic (RMB per share) | **0.64** | 0.75 |

### (b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding as of December 31, 2020 and 2019.

## 9 DIVIDENDS

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

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Dividend payable: | | |
| **At the beginning of the year** | **–** | – |
| Dividend declared | **794,250** | 400,000 |
| Dividend paid | **(794,250)** | (400,000) |
| **At the end of the year** | **–** | – |

## 10 TRADE AND BILL RECEIVABLES

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Bill receivables – third parties | **53,021** | 13,578 |
| Bill receivables – related parties | **5,500** | – |
| | **58,521** | 13,578 |
| Trade receivables – third parties | **2,839,581** | 2,350,360 |
| Trade receivables – related parties | **118,069** | 61,991 |
| | **2,957,650** | 2,412,351 |
| | **3,016,171** | 2,425,929 |
| Less: allowance for impairment | **(155,155)** | (121,822) |
| Total trade and bill receivables – net | **2,861,016** | 2,304,107 |

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **2,396,480** | 1,872,486 |
| 3 to 12 months | **418,779** | 414,206 |
| 1 to 2 years | **74,755** | 37,282 |
| Over 2 years | **67,636** | 88,377 |
| | **2,957,650** | 2,412,351 |

Aging of bill receivables is within one year as at December 31, 2020 (December 31, 2019: within one year).

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **At the beginning of the year** | **121,618** | 141,102 |
| Reversal of provision for impairment | **47,106** | (5,230) |
| Receivables written off as uncollectible | **(15,607)** | (14,447) |
| Currency translation differences | **(618)** | 193 |
| **At the end of the year** | **152,499** | 121,618 |

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

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| RMB | **1,925,949** | 1,299,553 |
| USD | **691,823** | 818,243 |
| GBP | **187,775** | 182,242 |
| EUR | **35,552** | 33,105 |
| Others | **116,551** | 79,208 |
| | **2,957,650** | 2,412,351 |

Bill receivables are mainly denominated in RMB as at December 31, 2020 and 2019.

## 11 PREPAYMENTS AND OTHER RECEIVABLES

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Prepayment for raw materials to third parties | **233,591** | 334,962 |
| Prepayment for raw materials to related parties | **22,194** | 6,412 |
| | **255,785** | 341,374 |
| Less: provision for impairment | **(5,672)** | (6,202) |
| | **250,113** | 335,172 |
| Amounts due from related parties | **28,508** | 54,122 |
| Refundable tax | **32,532** | 49,415 |
| Rental and other deposits | **122,655** | 76,040 |
| Disbursement of vehicle mortgage loans | **27,673** | 48,460 |
| Other receivables from staffs and third parties | **82,532** | 94,972 |
| Others | **17,905** | 32,707 |
| | **311,805** | 355,716 |
| Less: provision for impairment | **(23,582)** | (40,557) |
| | **288,223** | 315,159 |
| Total prepayments and other receivables | **538,336** | 650,331 |

## 12 BORROWINGS

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Included in non-current liabilities:** | | |
| Bank borrowings | **300,000** | – |
| Bank borrowings, guaranteed *(a)* | **94,844** | 88,500 |
| | **394,844** | 88,500 |
| **Included in current liabilities:** | | |
| Bank borrowings | **565,962** | 1,496,106 |
| Bank borrowings, guaranteed *(a)* | **264,325** | 62,600 |
| Loans from third parties | **326** | 2,190 |
| Discounted bills | **–** | 5,280 |
| | **830,613** | 1,566,176 |
| | **1,225,457** | 1,654,676 |

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

(b) As at December 31, 2020, the weighted average interest rate of long-term borrowings was 3.49% (December 31, 2019: 5.23%), and short-term borrowings was 3.14% (December 31, 2019: 4.24%), respectively.

As at December 31, 2020 and 2019, the Group's borrowings were denominated in following currencies:

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| RMB | **642,169** | 651,630 |
| USD | **143,964** | 609,361 |
| GBP | **365,569** | 328,489 |
| EUR | **73,429** | 57,975 |
| AUD | **326** | 7,221 |
| | **1,225,457** | 1,654,676 |

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| 3 months or less | **76,457** | 605,664 |
| 3 to 12 months | **493,455** | 421,147 |
| 1 to 2 years | **–** | 88,500 |
| 2 to 5 years | **394,844** | – |
| | **964,756** | 1,115,311 |

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **830,613** | 1,566,176 |
| 1 to 2 years | **–** | 88,500 |
| 2 to 5 years | **394,844** | – |
| | **1,225,457** | 1,654,676 |

## 13 TRADE AND BILL PAYABLES

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Third parties | **4,231,403** | 3,528,921 |
| Related parties | **112,599** | 88,638 |
| | **4,344,002** | 3,617,559 |

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| 0-30 days | **2,759,411** | 2,482,882 |
| 31-60 days | **1,078,989** | 772,185 |
| 61-90 days | **228,595** | 150,027 |
| Over 90 days | **277,007** | 212,465 |
| | **4,344,002** | 3,617,559 |

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| RMB | **3,658,354** | 2,879,111 |
| GBP | **311,673** | 317,914 |
| USD | **286,551** | 363,663 |
| EUR | **55,006** | 36,407 |
| AUD | **14,933** | 10,016 |
| Others | **17,485** | 10,448 |
| | **4,344,002** | 3,617,559 |

(c) As at December 31, 2020 and 2019, the fair value of trade and bill payables approximated to their carrying amount.

## 14 OTHER PAYABLES AND ACCRUALS

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Amounts due to related parties | **147,599** | 155,452 |
| Dividends payable to non-controlling interests | **34,908** | 25,828 |
| Payroll and welfare payables | **676,825** | 637,560 |
| Deposits and temporary receipts | **313,094** | 201,565 |
| Deposits for quality guarantees | **149,428** | 215,546 |
| Freights expenses payable | **10,708** | 11,033 |
| Payables for equipment and land use rights | **37,610** | 24,201 |
| Financial guarantee for vehicle mortgage loans | **38,966** | 29,695 |
| Other taxes payables | **142,424** | 88,372 |
| Accrued expenses | **467,474** | 366,103 |
| Advance payment of assets held for sale | **–** | 118,265 |
| Accrued listing expenses | **5,321** | 21,453 |
| Advance receipt of demolition compensation | **74,827** | – |
| Others | **97,654** | 106,036 |
| | **2,196,838** | 2,001,109 |

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is the world's leading sophisticated manufacturing semi-trailers and specialty vehicles manufacturer. According to the Global Trailer's top global OEM ranking list for semi-trailer manufacturers announced in 2020, the Group was the world's No. 1 semi-trailer manufacturer in terms of production volume. The Group 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 industry in 2002, the Company has formed its business and technical advantages around the concept of "Focus and Innovation". The Company markets and sells the products in China under renowned brands in the industry, such as "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 renowned brands, such as "Vanguard" and "CIE", and in Europe under the "SDC" and "LAG" brands which are well-known brands with long history. In addition, the Company has established cooperation with a number of well-known customers in the global semi-trailer industry, including domestic and international logistics transportation companies and trailer rental companies. As for specialty vehicles business in China, the Company has established close partnership with major tractors companies in China.

Through exploration and development for years, the Company has formed an operation model based on "Intercontinental Operation, Local Manufacturing" in line with current global conditions. Moreover, relying on its 22 manufacturing plants and 10 assembly plants, the Company gave full play to its production and assembly capabilities, global supply chain management and global logistics and distribution.

The Company began to explore the construction of "Sophisticated Manufacturing System" since 2014. At present, the Company has 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 the production of truck bodies for refrigerated trucks, as well as "Product Module" and digital R&D platforms for a number of semi-trailer series. The Company will continue to focus on the comprehensive construction and improvement of "Sophisticated Manufacturing System" to maintain continuous competitive advantages of the Company.

**MAJOR PRODUCTS:**

(1) Seven major categories of semi-trailer products in the global markets mainly 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 trucks

## CHAPTER I 2020 BUSINESS REVIEW AND ANALYSIS

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

1. **In 2020**, global economic activities were severely affected by the global outbreak and spread of COVID-19. In June 2020, the PRC government put forward "to foster a new development pattern that takes the domestic circulation as the mainstay while allowing the dual circulation of domestic and foreign markets to mutually boost each other". In particular, the "domestic circulation" provided a broad development space for various logistics in China. In the second half of 2020, the global economy was under downward pressure due to the resurgence of COVID-19 in many overseas countries. However, the widening application of COVID-19 vaccines will contribute to the global economic recovery, which in turn will benefit the global logistics and transportation industry and the demand for semi-trailers.

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. To prevent and contain illegal modification of trucks and ensure the safety of road transportation, the Safe Production Commission under the State Council conducted the special remediation inspection on illegally modified trucks. In the eighth meeting of the Central Committee for Financial and Economic Affairs, building a modern circulation system has officially became an important national strategy, which will strongly promote the high-quality development of the industry.

3. **In terms of specialty vehicles in China**, as driven by intensified investments in infrastructure construction and "new infrastructure", the units sales of heavy trucks increased by 38.2% year-on-year in 2020 according to date released by the China Association of Automobile Manufacturers. As the PRC government has comprehensively implemented the national standard of limits for emissions from motor vehicles for the sixth stage, stricter environmental protection measures, wider regulation of over-limit and overload, and replacement of old vehicles under national standard of limits for emissions from motor vehicles for the third stage, intelligent environmental-friendly urban dump trucks and light and durable cement mixer trucks that the Group has vigorously operated maintained a sound growth trend.

4. **In terms of refrigerated trucks in China**, under the influence of the COVID-19 outbreak, more consumers purchase various consumer goods through e-commerce models, and thus boosted the demand for fresh food delivery in 2020. Meanwhile, the spread of COVID-19 led to a surge in global demand for pharmaceutical supplies and biological products under low-temperature transportation, which stimulated the demand for medical cold chain and further expanded the cold chain market in China. The PRC government built a national key infrastructure network of cold chain logistics in 2020, and planned to implement the National Food Safety Standard-Food Hygienic Practices for Cold Chain Logistics (《食品安全國家標準食品冷鏈物流衛生規範》), a mandatory standard, since March 11, 2021, which will lead to a standardized cold chain logistics market.

## II. Review on Core Business Performance

During the Reporting Period, the Group sold a total of 131,327 units (2019: 117,707 units) of semi-trailers worldwide. A total of 56,449 sets (2019: 46,267 sets) of truck bodies for specialty vehicles and 6,049 units (2019: 4,455 units) of truck bodies for refrigerated trucks were sold in China. As the global economy was affected by the COVID-19 outbreak, the PRC government put forward "to foster a new development pattern that takes the domestic circulation as the mainstay while allowing the dual circulation of domestic and foreign markets to mutually boost each other", which has provided broad development room for the logistics and transportation market and the sophisticated manufacturing industry in China. Business segments of the Company in the China market recorded strong growth, which contributed to the overall revenue performance, with the total revenue of RMB26,247.2 million, representing a year-on-year increase of 13.0% and hitting a record high.

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

### *1. Global semi-trailer business in 2020*

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | **Revenue** *RMB in millions* | **Gross profit** *RMB in millions* | **Gross profit margin** *%* |
| China semi-trailer | **7,446.6** | **1,009.1** | **13.6** |
| North America semi-trailer | **3,692.1** | **491.1** | **13.3** |
| Europe semi-trailer | **1,482.8** | **112.5** | **7.6** |
| Other markets semi-trailer | **958.2** | **133.0** | **13.9** |
| **Subtotal** | **13,579.7** | **1,745.7** | **12.9** |

As the world's leading sophisticated manufacturing semi-trailers manufacturer, the Group's semi-trailer "Light Tower" Plants showcase its advantages in scale. Relying on its "Micro Innovation" in main products including liquid tank trailers, dry bulk tank trailers, van trailers and container chassis trailers, the Group has secured its position in the first echelon. In 2020, the operation performance of global semi-trailer business recorded stable growth due to our solid foundation of "Intercontinental Operation" developed by the Group over the years and the "Local Manufacturing" by the local enterprises of the Group. In particular, the Group experienced significant growth in the PRC market.

**Semi-trailer business in China in 2020** — Despite the impact of the COVID-19 outbreak, the Group rode over the impact of COVID-19 on the China market through scientific management and control of the resumption of work and production. Under the national guidance of the "domestic circulation", the total social logistics volume amounted to RMB300.1 trillion, representing a compound annual growth rate of 5.9% from 2017 to 2020, according to the official data issued by the National Development and Reform Commission in 2020. The scale of the logistics and transportation market continued increasing in China. In addition, the demands for the second-generation semi-trailers were fully driven by the requirements and effective implementation of the national standards of second-generation semi-trailers (GB7258-2017) and the Technical Specifications for Safety of Trucks Operating on Roads: Tractors and Trailers (《營運貨車安全技術條件：牽引車與掛車》).

During the Reporting Period, the Group launched the "Pioneer Series"[Note 1] products in line with the development trend of van transportation in China. "Pioneer Series" products, designed with digital modules, are committed to creating full life cycle value for our customers through standardized production and manufacturing in "Light Tower" Plants and the business model of "new marketing and retail"[Note 2]. Among them, the Group's units sales of van trailers increased significantly by 154.9% year-on-year to 17,744 (2019: 6,961).

Moreover, as the market demand for tank trailers surged, the Group has developed a number of tank trucks with core technologies such as lightweight, which have been widely recognized by customers. With the operation of semi-trailer production line including Lingyu "Tianqi Project"[Note 3] in "Light Tower" Plants, the quality of tank trailers has been greatly improved to meet needs of our customers. During the Reporting Period, the Group's units sales of tank trailers increased by 32.8% year-on-year to 21,125 (2019: 15,913).

During the replacement of the second-generation semi-trailers, "Light Tower" Plants gave further play to its scale production to effectively reduce production costs relying on centralized procurement and supply chain management platforms. During the Reporting Period, our revenue from semi-trailer business in China increased by 45.8% year-on-year to RMB7,446.6 million, and the gross profit margin increased by 1.9 percentage points year-on-year. To ride on the booming economy driven by the domestic circulation, the Group continued to apply advanced technologies and production capacities in the PRC market to meet the increasing demand in the semi-trailer market.

**Semi-trailer business in North America in 2020** — The business is mainly comprised of three major types of trailers: van trailers, refrigerated trailers and container chassis trailers. With the reshaped consumption habits during the COVID-19 outbreak, the rapid development of e-commerce in North America accelerated the recovery of the USA freight market.

According to the USA Freight Research Institute, the amount of orders for semi-trailers surged and the sales of van trailers and refrigerated trailers experienced a robust rebound due to the strong demand from September to December in 2020. At the same time, the demand for container chassis trailers has also increased as the cargo diversion in ports slowed down during the COVID-19 outbreak. The global economy and USA industrial production are expected to recover with the wide application of COVID-19 vaccines, which will speed up the recovery of demand for semi-trailers in the North American market.

Note 1: "Pioneer Series" means the second-generation semi-trailer products launched by core "Light Tower" Plants organized by the Group, with three major characteristics, namely full digitalization, modular design, production in the "Light Tower" Plant and use of new marketing.

Note 2: "New Marketing and Retail" means a customer-oriented method of generating customer demand through online production introduction on a one-to-many basis in interaction and exchange with consumers by way of "bullet-screen comments" in live streaming on a live streaming platform of online interaction and sharing, which provides 24-hour online service. The method helps open up online and offline channels, providing consumers with an integrated and seamless shopping experience.

Note 3: "Tianqi Project" means the production line upgrade and green transformation project of the "Light Tower" Plant of Luoyang CIMC Lingyu Automobile Co., Ltd., a subsidiary of the Company. The project (phase I) was completed in April 2020. The project has been constructed under the Industry 4.0 model, for deep integration of high-end manufacturing and industrial internet, upgrade and transformation of the original manufacturing plant for automation, and has involved the use of laser blanking and forming equipment, robotic welding, fully automatic powder coating lines and metronomic assembly lines.

The Group continued to optimize its layout of production capacity and promote the construction of equity investment projects on schedule in line with its business philosophy of "Intercontinental Operation, Local Manufacturing". During the Reporting Period, our revenue from semi-trailer business in North America amounted to RMB3,692.1 million, representing a year-on-year decrease of 28.4%, mainly due to the impact of the COVID-19 outbreak. In the second half of 2020, our revenue decline was significantly slowed down due to sound business recovery.

**Semi-trailer business in Europe in 2020** — To cope with the resurgence of COVID-19, many governments in Europe adopted overall lockdown measures, which affected the demand of the local market. During the Reporting Period, the semi-trailer revenue from the European market was RMB1,482.8 million, representing a year-on-year decrease of 27.1%, mainly due to the significant decline in revenue in the second half of the year as a result of the impact of the COVID-19 outbreak.

The major tank trailers plants in Europe have gradually returned to normal levels in production efficiency and order delivery following the resumption of work and production since the second quarter of 2020, strengthening the Group's leading position in the Europe tank trucks market. In 2020, SDC Trailers Ltd., a wholly-owned subsidiary of the Group, has improved its operation efficiency through continuous upgrade of product modules, and optimized the production and manufacturing capacity of its plant in Mansfield, the UK, so as to proactively launch products including van trailers and curtain-side trailers. SDC Trailers Ltd. recovered its business in a sound manner in the fourth quarter of 2020.

**Semi-trailer business in Other Markets in 2020** — As affected by the COVID-19 outbreak, the business performance of semi-trailers in other markets declined, and customers generally adopted a wait-and-see approach. The business has rebounded with the gradual recovery of the global semi-trailer market since the third quarter of 2020. Based on the business philosophy of "Intercontinental Operation, Local Manufacturing", our products in the Southeast Asian market introduced advanced technologies from mature markets, which are favored by customers in local markets due to its cost-effective advantage.

The revenue and gross profit margin of the global semi-trailer business of the Group in 2020 and 2019 and the comparison of changes are listed as follows. The revenue performance of the global semi-trailer business remained stable: (1) driven by the accelerated development of China's logistics and transportation market under the new development pattern of "dual circulation" put forward by the PRC government and the effective implementation of the national standard for second-generation semi-trailers, the demand for semi-trailers in China significantly increased, and therefore there was a significant increase in the revenue of the Group from the semi-trailer business in the China market; (2) the global economic downturn and the decline in the demand for semi-trailers in overseas markets due to the COVID-19 outbreak led to the decline in the revenue of the Group from semi-trailer business in North America, Europe and other markets.

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | | Gross profit margin | | |
| | **2020** | 2019 | Change | **2020** | 2019 | Change |
| | ***RMB in millions*** | *RMB in millions* | *%* | *%* | *%* | *Percentage point* |
| China semi-trailer | **7,446.6** | 5,106.7 | 45.8 | **13.6** | 11.7 | 1.9 |
| North America semi-trailer | **3,692.1** | 5,153.0 | -28.4 | **13.3** | 13.9 | -0.6 |
| Europe semi-trailer | **1,482.8** | 2,035.0 | -27.1 | **7.6** | 9.2 | -1.6 |
| Other markets semi-trailer | **958.2** | 1,256.7 | -23.8 | **13.9** | 16.6 | -2.7 |
| **Subtotal** | **13,579.7** | 13,551.4 | 0.2 | **12.9** | 12.6 | 0.3 |

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

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | **Revenue** ***RMB in millions*** | **Gross profit** ***RMB in millions*** | **Gross profit margin** ***%*** |
| Manufacture and sales of truck bodies for specialty vehicles | **4,174.8** | **676.6** | **16.2** |
| Truck chassis and tractor unit | **5,988.4** | **122.4** | **2.0** |
| **Subtotal** | **10,163.2** | **799.0** | **7.9** |

- In 2020, the Group continued to expand its benefits as a leading enterprise in the designated reforms of cement mixers and urban dump trucks. The PRC government successively issued a series of policies to promote automobile consumption, reduce taxes and fees, speed up urbanization, and intensify investment in new infrastructure, which provides a sound business environment for the development of the heavy truck market. During the Reporting Period, the revenue from the manufacture of truck bodies for specialty vehicles and sales of fully-assembled specialty vehicles of the Group in China amounted to RMB10,163.2 million, representing a significant year-on-year increase of 37.8%.

- The Group launched intelligently manufactured and intelligent cement mixers, and maintained a leading position in the PRC market. During the Reporting Period, we sold a total of 29,379 cement mixers, the highest sales achieved among our peers in China for four consecutive years, according to statistics from Specialty Vehicle Branch of the China Association of Automobile Manufacturers.

- Riding on the transformation towards intelligent, environmental-friendly and light urban dump trucks and capturing on the upgrade of "Product Module", the Group worked with tractor manufacturers to develop products, and completed the upgrade of the production line of urban dump trucks, so as to enhance our delivery capabilities and improve customer satisfaction.

- As the PRC government continues to promote environmental protection and regulate over-load, the Group has always adhered to green production and enhanced the strategic position of sophisticated manufacturing and green manufacturing in the Group. In 2020, a major urban dump truck plant of CIMC-SHAC (Xi'an) Special Vehicles Co., Ltd., a subsidiary of the Group, and a major cement mixer plant of Wuhu CIMC Ruijiang Automobile Co., Ltd., a subsidiary of the Group, obtained the honor of National and Provincial "Green Plant" in the list of green manufacturers issued by Ministry of Industry and Information Technology.

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 China in 2020 and the 2019 and the comparison of changes are listed as follows. The decline in gross profit margin was mainly due to the increase in the proportion of revenue from truck chassis and tractor unit:

| | **Year ended December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **Revenue** | | | **Gross profit margin** | | |
| | **2020** | 2019 | Change | **2020** | 2019 | Change |
| | ***RMB in millions*** | *RMB in millions* | *%* | *%* | *%* | *Percentage point* |
| Manufacture and sales of truck bodies for specialty vehicles | **4,174.8** | 3,729.0 | 12.0 | **16.2** | 20.1 | -3.9 |
| Truck chassis and tractor unit | **5,988.4** | 3,647.7 | 64.2 | **2.0** | 1.2 | 0.8 |
| **Subtotal** | **10,163.2** | 7,376.7 | 37.8 | **7.9** | 10.7 | -2.8 |

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

- In 2020, the demand for refrigerated trucks surged benefiting from the expansion of the cold chain logistics market in China. Several PRC ministries and departments have issued a number of policies and standards on refrigerated trucks to encourage the development of compliant and environmental-friendly refrigerated trucks. The Group expanded its leading advantage in the manufacture of truck bodies for refrigerated trucks and sales of fully-assembled refrigerated trucks, produced and delivered a total of 6,049 (2019: 4,455) refrigerated trucks for the year, and the units sales had a year-on-year increase of 35.8%.

- In terms of truck bodies for refrigerated trucks, the Group has adopted core technologies including rigid polyurethane foam and insulation plate for refrigeration purpose, high-pressure and high-density polyurethane foam, and efficient rivet connection of body plate, and promoted the automated production of high-quality truck bodies for refrigerated trucks, so as to enhance the quality and production efficiency of its refrigerated vans. During the Reporting Period, the gross profit margin of truck bodies for refrigerated trucks was 23.0%, representing a year-on-year increase of 7.9 percentage points.

- It is worth mentioning that a major plant of truck bodies for refrigerated trucks of CIMC Vehicles (Shandong) Co., Ltd., a subsidiary of the Group, achieved sales revenue of RMB297.7 million for refrigerator cars business, representing a year-on-year increase of 37.8%.

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

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | **Revenue** *RMB in millions* | **Gross profit** *RMB in millions* | **Gross profit margin** *%* |
| China market | **686.7** | **93.4** | **13.6** |
| North America market | **638.2** | **63.7** | **10.0** |
| Europe market | **319.3** | **73.9** | **23.1** |
| Other markets | **10.3** | **4.0** | **38.8** |
| **Subtotal** | **1,654.5** | **235.0** | **14.2** |

- During the Reporting Period, the sales of parts and components business for semi-trailers and specialty vehicles of the Group accorded with the expectation of the Group. The Group adjusted the global supply chain management system, so that the supply chain for parts and components business in major markets has gradually recovered in the second quarter of 2020. The Group has realized sound business performance throughout the year, and the revenue increased by 10.2% year-on-year.

- As the PRC government exercised good control of the COVID-19 outbreak, its rapid recovery of economic activities led to significant growth in the parts and components business in the PRC market. With improvement in professional level of second-generation semi-trailers, the parts and components business in China market has shifted from simply sales of parts and components to vehicle repair and maintenance services.

- The parts and components business in overseas markets was affected by the COVID-19 outbreak, resulting in the postponing of delivery of some parts and components. The Group actively adjusted its strategy, developed a business model for licensees, and set up an online digital APP procurement platform for the parts and components. Customers from the parts and components business could complete online selection and purchase through the APP by themselves. During the Reporting Period, revenue from sales of the parts and components and semi-trailers business in overseas markets increased year-on-year.

The revenue from the sales of parts and components of truck bodies for semi-trailer and specialty vehicles of the Group in 2020 has recorded an overall increase. The revenue, gross profit margin and the comparison of changes in 2020 and 2019 are listed as follows:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | | Gross profit margin | | |
| | **2020** | 2019 | Change | **2020** | 2019 | Change |
| | ***RMB in millions*** | *RMB in millions* | % | **%** | % | *Percentage point* |
| China market | **686.7** | 582.2 | 17.9 | **13.6** | 18.7 | -5.1 |
| North America market | **638.2** | 608.5 | 4.9 | **10.0** | 9.0 | 1.0 |
| Europe market | **319.3** | 295.9 | 7.9 | **23.1** | 23.7 | -0.6 |
| Other markets | **10.3** | 14.6 | -29.5 | **38.8** | 19.9 | 18.9 |
| **Subtotal** | **1,654.5** | 1,501.2 | 10.2 | **14.2** | 15.8 | -1.6 |

## 5. *Other businesses in 2020*

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

The revenue, gross profit margin and the comparison of changes of other businesses in 2020 and 2019 are listed as follows:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | | Gross profit margin | | |
| | **2020** | 2019 | Change | **2020** | 2019 | Change |
| | ***RMB in millions*** | *RMB in millions* | % | **%** | % | *Percentage point* |
| **Sales of other types of vehicles** | **157.3** | 188.3 | -16.5 | **23.6** | 22.9 | 0.7 |
| **Others** | **374.5** | 319.7 | 17.1 | **45.5** | 51.1 | -5.6 |

## III. Review of Statement Revenue and Explanation

The revenue and the net profit of the Group for the year ended December 31, 2020 was RMB26,247.2 million and RMB1,269.3 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**"). Pursuant to the Relocation and Compensation Agreement, Yangzhou Tonghua shall relocate in phases during the three years of 2018, 2019 and 2020. The Demolition Management Office shall make phased compensation based on the relocation schedule. Pursuant to the Relocation and Compensation Agreement, the total cash compensation made by Demolition Management Office to Yangzhou Tonghua for the relocation project shall be RMB800.0 million. However, as affected by the outbreak of COVID-19, Yangzhou Tonghua did not complete the relocation as scheduled. Yangzhou Tonghua negotiated with the Demolition Management Office, and extended the delivery time stipulated in the Relocation and Compensation Agreement to 2021 by written consent on December 30, 2020. Based on the relocation completed and the land and property transferred to the government by Yangzhou Tonghua in 2020, the Group has recorded book gain of RMB209.3 million in 2020 (2019: RMB204.4 million).

2. In 2020, the Company declared and paid a final dividend of 2019 to the shareholders, amounting to RMB794.3 million (2019: RMB400.0 million).

## IV. Progress in A Share Offering

On May 6, 2020, the Board considered the proposal on the proposed initial public offering of A Shares and proposed listing on the ChiNext Market of the Shenzhen Stock Exchange ("**A Share Offering**"). On May 15, 2020, the Board resolved to approve relevant proposals on the A Share Offering of the Company, and officially prepared and submitted to the Shenzhen Stock Exchange, relevant application materials for the A Share Offering. On July 31, 2020, the Company received a notice of acceptance issued by the Shenzhen Stock Exchange to the Company. On December 25, 2020, the application of the Company for the A Share Offering was reviewed and approved at the 60th review meeting of the Listing Committee for the ChiNext Market of the Shenzhen Stock Exchange in 2020, and was published on the website for disclosure of information on the approval for offering and listing on the ChiNext Market of the Shenzhen Stock Exchange. Further disclosure on significant updates and development in relation to the A Share Offering will be made by the Group in due course, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") ("**Listing Rules**") and other applicable laws and regulations.

## CHAPTER II FINANCIAL POSITION AND ANALYSIS

### I. Financial Position for 2020

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

| | As at December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB in million*** | *RMB in million* |
| Total assets | **19,825.2** | 18,681.1 |
| Net assets | **10,448.7** | 10,220.7 |

The total assets of the Group as at December 31, 2020 increased by approximately RMB1,144.1 million compared to that as at December 31, 2019. The changes in total assets were mainly due to the overall business expansion of the Group, and the amount of items such as cash and cash equivalents, trade receivables and fixed assets increased accordingly compared to those as at the end of 2019.

The net assets of the Group as at December 31, 2020 increased by approximately RMB228.0 million compared to that as at December 31, 2019. The changes in net assets were mainly the results of the total comprehensive income of the Group recorded for the year minus the dividend distribution made to the shareholders of the Company.

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

| | Year ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB in million*** | *RMB in million* |
| Changes in cash and cash equivalents [1] | **478.2** | 1,174.2 |

(1) Calculated by the cash and cash equivalents of the Group at the end of the year minus the cash and cash equivalents at the beginning of the year.

The net cash inflow from operating activities in 2020 was RMB2,746.9 million (2019: RMB1,845.8 million).

The net cash inflow from operating activities for the year increased significantly as compared to those last year, which was mainly because: (1) revenue of semi-trailers and specialty vehicles in China market had a significant year-on-year increase in the second half year of 2020 after the control of COVID-19; and (2) the Group consistently took efforts in the management of the operating cash flows, turning out with the account receivables timely collected, inventories controlled at a reasonable level, and the advancement received based on the sales orders increased as compared to those last year.

The investment in long-term assets, such as fixed assets, intangible assets, etc, in 2020 was RMB1,186.5 million (2019: RMB979.6 million).

The cash inflow from financing activity of the Group arising from Global Offering of ordinary shares was RMB1,487.5 million in 2019, and there was no such event in 2020 and thus no impact to the cash flow.

In 2020, the Company paid a dividend of RMB794.3 million to the shareholders (2019: RMB400.0 million).

### 3. *Changes in the Group's Return on Equity*

The audited profit for the year ended December 31, 2020 was RMB1,269.3 million (2019: RMB1,326.5 million).

| | **Year ended December 31,** | |
|---|---|---|
| | **2020** | 2019 |
| | *%* | *%* |
| Return on equity[1] | **12.3** | 14.6 |

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

The Group's return on equity for the year ended December 31, 2020 declined by 2.3 percentage points compared to that for the year ended December 31, 2019. This was mainly because the increase in the proportion of sales of truck chassis and tractor for the China specialty vehicles business brought down the gross profit margin for the sales of domestic fully-assembled specialty vehicles; and the spread of COVID-19 in the world affected the sales of products with high gross profit in the North American market.

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

In 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 project of the investment in 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

For the year ended December 31, 2020, the Group did not hold any significant investments that accounted for 5% or more of the Group's total assets.

## IV. Impact and Response of the COVID-19 Outbreak in 2020

In 2020, as the COVID-19 outbreak impacted most countries and regions around the world, the Company's customers and suppliers in the global market have also been affected to various extent. With the outbreak and spread of COVID-19 around the world, some specialty vehicle companies of the Group suffered temporary impact in terms of overseas supply chain, imported chassis for specialty vehicles and high-end core components.

The Company has established long-term and stable cooperation with high-quality domestic and international suppliers through "Intercontinental Operation" over the years. Although the outbreak caused some impact on overseas suppliers which postponed the delivery, the Company experienced no shortage of supplies nor delayed delivery which may affect the business of the Company. Since the amount and proportion of imported core components were relatively low, and there are sufficient supply capacity and a number of alternative suppliers, the Company has not experienced any shortage of supplies.

During the outbreak of COVID-19 in the first quarter of 2020, the international flights were substantially decreased and the international travel was restricted. The international cargo transportation was also affected to some extent, and the work and transportation efficiency of ports and terminals were reduced due to some employees of shipping companies work from home. However, there was no general outage in supplies and logistics since basic transportation capacities for supplies were maintained. The international shipping market has basically resumed since the third quarter of 2020. As the impact of the COVID-19 outbreak on the Company's export transportation was relatively slim, there was no stagnant sales in overseas markets that caused by the failure of transportation companies to resume production in time.

In 2020, the PRC government has taken effective control of the COVID-19 outbreak, and gradually resumed large-scale infrastructure construction in all regions. The recovery of infrastructure market invigorated the demand for compliant urban dump trucks and compliant cement mixers. At the same time, the demand for semi-trailers and refrigerated vans continued to increase in the PRC market due to the increasing development of cold chain logistics and e-commerce logistics during the COVID-19 outbreak. During the Reporting Period, the Company recorded a significant increase in the revenue from van trailers and truck bodies for refrigerated trucks for e-commerce logistics and cold chain logistics. In addition, the proportion of revenue from North America, Europe and other markets declined due to the impact of the COVID-19 outbreak.

To cope with the impact of the COVID-19 outbreak on the business of the Company, on the one hand, the Company strengthened communications with overseas customers and explained the impact of the pandemic which were fully understood by our customers. On the other hand, the Company has taken robust efforts in organizing production in domestic plants, which maintained efficient production since the resumption of work.

During the COVID-19 outbreak, the Company has formulated effective emergency prevention and control plans and implemented all prevention and control measures to ensure safe production while fighting against the pandemic. The Group has attached utmost significance to protecting the safety of its employees, and has carried out active control and arrangement of cash flows and capital usage to offset the impact of COVID-19. The Group has established senior management teams and working groups for epidemic prevention work at the headquarters and subordinate enterprises respectively, to organize the resumption of work and production of headquarters and subordinate enterprises in a step-by-step and orderly manner from February 3, 2020. On the one hand, through the use of remote office software such as CIMC IWORK and DingTalk to support the “remote office” + “work at the office” model of the Company, not only has the progress of works remained unaffected, but also employees’ safety is assured to the greatest extent. On the other hand, digital information on the resumption of work and production of various enterprises is collected every day to help enterprises to make scientific and orderly arrangements for resumption of work.

## V. 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 China International Marine Containers (Group) Co., Ltd. ("**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 also 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 Intraprogres 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 Intraprogres 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. 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.

During the Reporting Period, save as disclosed in this announcement, the Group had no other material acquisitions and disposals related to subsidiaries, associates and joint ventures.

## VI. Plans for Significant Investment or Purchase of Capital Assets in the Future and its Financing Proposals

Save as disclosed in this announcement 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 other plan approved by the Board for other significant investments or purchases of capital assets in the future as of the date of this announcement.

## VII. Use of Proceeds from the Global Offering in 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 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$1,591.3 million. The nominal value of the H Shares of the Company is RMB1.00 per H Share.

On December 5, 2019, March 25, 2020, October 12, 2020 and November 20, 2020, the Board further resolved to change the use of the net proceeds. For relevant information, please refer to the Company's announcements published on December 5, 2019, March 25, 2020, October 12, 2020 and November 20, 2020, respectively .

The use of the net proceeds from the Global Offering and its utilization as at December 31, 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** *(HK$ in millions)* | **Utilized Amount as at December 31, 2020** *(HK$ in millions)* | **Unutilized Amount as at December 31, 2020** *(HK$ in millions)* |
|---|---|---|---|
| **Develop new manufacturing or assembly plants and upgrade the marketing model** | **1,102.70** | **325.1** | **777.6** |
| —Develop a new automated production facility for chassis trailers in the coastline regions along the eastern or southern US | 39.2 | 28.6 | 10.6 |
| —Develop a new assembly plant for high-end refrigerated trailers in the UK or Poland | 38.5 | 12.7 | 25.8 |
| —Develop a new automated production facility for refrigerated trailers in Monon, the US | 165.4 | 154.4 | 11.0 |
| —Develop a new assembly plant for swap bodies and chassis and flatbed trailers in the Netherlands | 105.3 | 70.8 | 34.5 |
| —Develop a new assembly plant for refrigerated trailers in Canada | 39.0 | 11.5 | 27.5 |
| —Develop a new manufacturing plant in Jiangmen, China | 87.0 | 1.6 | 85.4 |
| —Upgrade the marketing model in China *(Note)* | 99.6 | – | 99.6 |
| —Technical reform and informatization construction for Xi'an plant in China | 32.9 | – | 32.9 |
| —Develop a new manufacturing plant in Baoji City, China | 70.0 | – | 70.0 |
| —Build a vehicle park in Kunming, China | 78.4 | 45.5 | 32.9 |
| —Expand the manufacturing plant for semi-trailers in Dongguan, China | 118.4 | – | 118.4 |
| —Expand the manufacturing plant for dry truck bodies and refrigerated truck bodies in Zhenjiang, China | 35.5 | – | 35.5 |
| —Expand the manufacturing and assembly plant for chassis trailers in Rayong, Thailand | 193.5 | – | 193.5 |
| **Research and develop new products** | **157.5** | **10.9** | **146.6** |

| Intended Use of Net Proceeds | Original Intended Amount *(HK$ in millions)* | Utilized Amount as at December 31, 2020 *(HK$ in millions)* | Unutilized Amount as at December 31, 2020 *(HK$ in millions)* |
|---|---|---|---|
| —Invest in industrial funds | 84.1 | – | 84.1 |
| —Develop high-end refrigerated trailers | 26.3 | 5.1 | 21.2 |
| —Develop other smart trailers | 15.7 | – | 15.7 |
| —Invest in product standardization, unit weight reduction and modularization in our Europe and US plants | 15.7 | – | 15.7 |
| —Develop other trailer products | 15.7 | 5.8 | 9.9 |
| **Repay the principal amount and interests of bank borrowings** | **157.5** | **153.8** | **3.7** |
| **Working capital and general corporate purposes** | **173.6** | **151.5** | **22.1** |
| **Total** | **1,591.3** | **641.3** | **950.0** |

*Note:* As affected by the COVID-19 outbreak, the preliminary preparation for the project will take longer than originally planned. It is expected that the Company will use the proceeds from the Global Offering for the project no later than the end of 2022.

## VIII. Liquidity and Financial Resources

As at December 31, 2020, the Group had cash and cash equivalents of RMB4,269.4 million (December 31, 2019: RMB3,791.2 million). As at December 31, 2020, the Group had borrowings of RMB1,225.4 million (December 31, 2019: RMB1,654.7 million).

| | **As at December 31, 2020** ***RMB in millions*** | As at December 31, 2019 *RMB in millions* |
|---|---|---|
| **Long-term borrowings** | | |
| –Bank borrowings | **300.0** | – |
| –Bank borrowings, guaranteed | **94.8** | 88.5 |
| **Subtotal** | **394.8** | 88.5 |
| **Short-term borrowings** | | |
| –Bank borrowings | **566.0** | 1,496.1 |
| –Bank borrowings, guaranteed | **264.3** | 62.6 |
| –Loans from third parties | **0.3** | 2.2 |
| –Discounted bills | **–** | 5.3 |
| **Subtotal** | **830.6** | 1,566.2 |
| **Total borrowings** | **1,225.4** | 1,654.7 |

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

| | **As at December 31, 2020** *RMB in millions* | As at December 31, 2019 *RMB in millions* |
|---|---|---|
| Within one year | **830.6** | 1,566.2 |
| One to two years | **–** | 88.5 |
| Two to five years | **394.8** | – |
| **Total** | **1,225.4** | 1,654.7 |

In 2020, the Group's major cash inflow items are net cash inflow generated from operating activities of RMB2,746.9 million (2019: RMB1,845.8 million).

There is no seasonal variation in the Group's borrowing needs. As at December 31, 2020, the weighted average interest rate for short-term borrowings was 3.14% (December 31, 2019: 4.24%) per annum, and that for long-term borrowings was 3.49% (December 31, 2019: 5.23%) per annum. Borrowings at fixed interest rates were approximately RMB260.7 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 liquidity to repay borrowings as they fell due, and there was no material default in terms of borrowings.

As at December 31, 2020, the Group had current assets of RMB12,965.5 million (December 31, 2019: RMB12,362.6 million), and current liabilities of RMB8,608.9 million (December 31, 2019: RMB8,121.2 million). As at December 31, 2020, the Group's current ratio was approximately 1.5 times (December 31, 2019: 1.5 times). The current ratio equals to total current assets divided by total current liabilities. The current ratio remained stable as compared to 2019.

## IX. 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 at December 31, 2020, the Group's gearing ratio (equal to total debt divided by total equity multiplied by 100%) was 11.7% (December 31, 2019: 16.2%). The decrease in gearing ratio was mainly due to the decrease of the Group's borrowings and the increase of the total equity during the Reporting Period.

As at December 31, 2020, the Group's cash and cash equivalents were mainly denominated in Renminbi and US dollar, and borrowings were mainly denominated in Renminbi and Great Britain Pound. The Group was exposed to foreign exchange risk primarily through sales and purchases, capital expenditures and other expenses that are denominated in a currency other than the functional currency of the relevant subsidiaries. The Group's foreign exchange exposure mainly arises from the conversion of Renminbi against US dollar, Great Britain Pound, Hong Kong dollar and Euro. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposure and carry out risk management through entering into foreign exchange forward and swap contracts. The effective period of the Group's hedging activities must not exceed twelve 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 at December 31, 2020, the foreign exchange forward contracts held by the Group were mainly outstanding US dollar to Renminbi forward contracts with a nominal amount of US$5.0 million; outstanding Renminbi to Thailand Baht forward contracts with a nominal amount of RMB2.0 million; and outstanding US dollar to Thailand Baht forward contracts with a nominal amount of US$0.8 million.

## X. Capital Commitments

As at December 31, 2020, the Group's capital commitments were approximately RMB210.6 million (December 31, 2019: approximately RMB201.6 million), representing a year-on-year increase of 4.5%, mainly due to additional investment contracts amounting to RMB62.2 million which have been entered into but have not been performed in whole or in part.

The Group has funded and will continue to fund a substantial portion of its 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 2020, our outstanding capital commitments were mainly attributable to the upgrading of factories and equipment, and the acquisition of equity.

## XI. Pledge of the Group's Assets

As at December 31, 2020, except for the pledge for certain bank deposits as disclosed in "(1) Financial guarantees" of XII. Contingent Liabilities in this announcement, the Group had the carrying amount of RMB0.4 million of other fixed assets pledged for the guarantees for property preservation in civil procedure (December 31, 2019: RMB3.2 million).

## XII. Contingent Liabilities

### *(1) Financial guarantees*

The Group and its controlled subsidiaries entered into financial guarantee contracts relating to vehicle mortgage loans with China Merchants Bank, CIMC Finance Company, China Guangfa Bank and Industrial Bank 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 at December 31, 2020, the outstanding balance of the above guarantees provided by the Group to dealers and customers totalled RMB2,288.3 million (December 31, 2019: RMB1,786.0 million), and the bank deposits pledged for these guarantees were RMB169.6 million (December 31, 2019: RMB139.4 million).

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

As at December 31, 2020, the Group had outstanding performance bond and letter of credit of a total of RMB9.5 million (December 31, 2019: RMB4.1 million).

## XIII. 2020 Final Dividend

In view of the fact that the Company is actively promoting the A Share Offering and pursuant to the relevant laws and regulations and regulatory requirements of A Share in China, the Board recommended not to pay any final dividend for the year ended December 31, 2020.

## XIV. Significant Events Occurring after the Reporting Period

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, submitted written applications to the United States International Trade Commission ("**U.S. ITC**") and the U.S. Department of Commerce ("**U.S. DOC**"), requesting an anti-subsidy and anti-dumping investigation into the chassis trailers and their components imported from China ("**Anti-dumping and Anti-subsidy Investigation**"). On January 4, 2021 and March 4, 2021 (U.S. time), the U.S. DOC published the preliminary affirmative determination on Anti-dumping and Anti-subsidy Investigation on the Federal Register of the U.S. government ("**Federal Register**"), respectively, which set out the anti-subsidy and anti-dumping deposit rate for the chassis trailers and subassemblies exported to the United States from the date of publication of preliminary determination on the Federal Register on and after. On March 22, 2021 (U.S. time), the U.S. DOC published the final affirmative determination on anti-subsidy investigation on the Federal Register. The U.S. ITC will make the final determination within 45 days from the date of the publication of the final affirmative determination of the U.S. DOC. In the meantime, the anti-subsidy deposit rate in the final affirmative determination by the U.S. DOC will remain in effect.

As of the date of this announcement, the Anti-dumping and Anti-subsidy Investigation has entered the investigation stage of the final determination from the U.S. DOC and the U.S. ITC. It is expected that the U.S. DOC will make the final anti-dumping determination during May 2021, and the U.S. ITC will make the final anti-subsidy and anti-dumping determination during April 2021 to June 2021, and the above-mentioned final deposit rate and the final actual amount of the anti-subsidy and anti-dumping guarantee deposits that need to be paid are still uncertain. The Group will continue to keep a closed eye on the development of the above-mentioned event and evaluate its impact on the financial and operational conditions of the Group.

## CHAPTER III BUSINESS OUTLOOK AND STRATEGY

### I. Changes in Macro environment and Industrial Landscape in 2021

The demand of semi-trailer market in China is strong. As new national standards come into force, the five core models of semi-trailers in China are being transformed. Among the existing semi-trailers, 50% will be phased out in the next three years as a result of factors including performance in driving safety, fuel economy, cargo space, etc., while van trailers, refrigerated trailers and other models will usher in a significant growth opportunity. Meanwhile, the traditional staked-side trailers in the market of China continue to see a decline in sales and are gradually brought out of mainstream markets.

As the actions against "overloading and oversizing" become normal and persistent, specialty vehicles in China, especially environmentally-friendly urban dump truck bodies and light and durable cement mixer trucks, which are major products of the Group, benefit from the efforts of the PRC government for "environmental protection" and against "overloading".

As fresh food distribution and e-commerce distribution in China are developing rapidly, China is taking action against "understating the carrying capacities"[Note 4] of refrigerated vans and urban distribution trailers, in a systematic and organized manner. The combination of the two drivers results in urgent demand for compliant truck bodies.

In 2021, the demand for semi-trailers in the North American market bottomed out. In the future, the overall demand for semi-trailer in North America will grow at a moderate pace, while the business of the Group will grow organically.

In 2021, the demand for semi-trailers in the European market will fluctuate at a low level. After the COVID-19 outbreak, the overall demand will gradually pick up.

Looking ahead, the Group has put forward a development plan of "building a Sophisticated Manufacturing System to cope with major changes". The Group will build a Sophisticated Manufacturing System in a comprehensive manner, with a view to establishing unique advantages under the dual circulation of domestic and foreign markets, and hitting new high in "Intercontinental Operation".

Note 4: "Understating the Carrying Capacities" means overstating the carrying capacities of the vehicles, leading to the inconsistency between the actual carrying capacities of the trucks and the carrying capacities indicated in the plates during the production process.

## II. Future Developments and Challenges

The Group will seize the opportunity arising out of the upgrade of semi-trailers in China, actively capitalize on new marketing and retail to increase the sales volume of second-generation semi-trailers, thus expanding its market share. The Group will improve the product quality through modular design, and research and development technology innovation, establish core "Light Tower" Plants to expand its production capacity for the second-generation semi-trailer products, so as to meet the fast-growing market demand, and will improve the gross profit margin of its products.

The Group will also seek opportunities to develop the capabilities for design, integration and service of certain core parts with the aim of creating greater value for its customers. The Group has constructed and developed a new retail system for "Pioneer Series" of semi-trailers, upgraded the intelligent distribution system, improved customer relations, and strengthened after-sales service and warranty extension service for products.

The Group will continuously expand its superiorities in main products of truck bodies for specialty vehicles, and will work with tractor manufacturers in design and cooperate with them. The Group will expand the scale effect of production and purchase, optimize the total ownership cost of products, and provide a better purchasing experience for users.

The Group will continue to expand the arrangements for manufacturing plants of refrigerated van bodies, fully put into operation the new "Light Tower" Plant for refrigerated van bodies, improve the research and development of new-generation product modules and production technologies, and further seize business opportunities, so as to achieve organic growth.

During the demand recovery period and the demand growth period of the semi-trailer market in North America, the Group will implement the comprehensive improvement plan based on the "Sophisticated Manufacturing System" through optimizing the production capacity layout, and strive to provide better products and customer experience for local customers.

The Group will implement a comprehensive improvement plan based on the "Sophisticated Manufacturing System" for the European semi-trailer business, and will establish a strong team, so as to improve the operating quality of the semi-trailer business in Europe.

The foregoing accurately reflects the action plan of the Group in a dual circulation economy.

## III. Key Initiatives to Improve Long-Term Competitiveness

The Company began to build "Light Tower" Plants and made continuous efforts to explore the approach and methods of "sophisticated manufacturing" since 2014.

"Sophisticated Manufacturing System" is to transform traditional manufacturing systems featured with low-tech, labor-intensive and heavy workload industry into automated and intelligent production with high-tech and high-end equipment, so as to achieve the production target of high quality, high utilization, high efficiency and low pollution.

Based on the best practices of core subsidiaries of the Group and the characteristics of Industry 4.0, the Company has defined the Sophisticated Manufacturing System for semi-trailers with four cornerstones, namely upgrading the product module, improving the "Light Tower" Plants, kicking off the sales and marketing transformation and promoting the organizational development. In the past few years, the Company has primarily established a "Light Tower" Plants system which met high-end manufacturing standards of the industry, and has built some product modules of semi-trailer.

The Company has seized the opportunity of upgrading the first generation semi-trailers to the second generation in the PRC market relying on its strategy of comprehensively building the "Sophisticated Manufacturing System", thus providing products with pretty appearance, high quality, high cost-performance ratio and more compliant to meet market needs.

The Company is committed to building the "Sophisticated Manufacturing System" through upgrading the product module, improving the "Light Tower" Plants, kicking off the sales and marketing transformation and promoting the organizational development. As such, the Company can provide high-quality, innovative and market-leading semi-trailers and other products relying on its advantages in technology, manufacturing, research and development, and brand, and capture opportunities from changes in market demand, so as to constantly improve the competitiveness and profitability of the Company.

Upon fully discussing the development path of the industry under the current situation, the Group has planned 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 Semi-trailers and Truck Bodies for Specialty Vehicles in China". These specific initiatives are actually a concrete portrayal of the 4 cornerstones and 21 levers of the Group' "Sophisticated Manufacturing System".

In the opinion of the Group, the comprehensive establishment of the 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 when facing challenges such as the COVID-19 epidemic.

The Group has formulated the work plan for comprehensively establishing the Sophisticated Manufacturing System in the three years of 2020-2022.

### *1. Four cornerstones of Sophisticated Manufacturing System of the Group*

"Sophisticated Manufacturing System" is a new generation of manufacturing system proposed by the Group in March 2020, which covers all core elements of its business:

1) Effectively formulate the product design process to achieve high "applicability".

2) Effectively purchase OEM parts based on designed purposes.

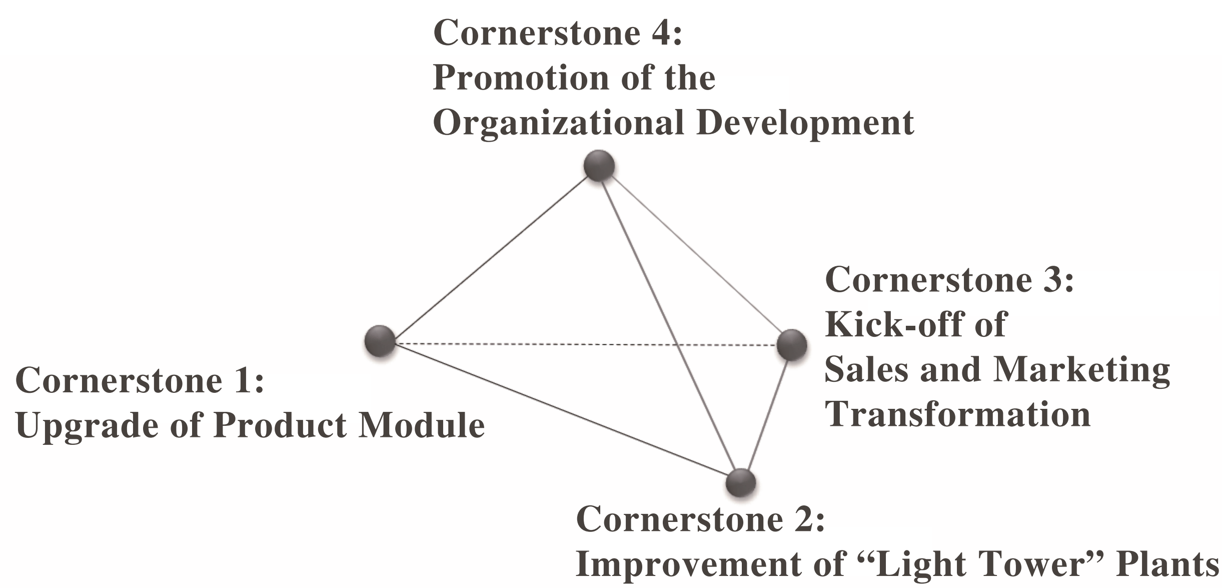
3) Effectively purchase raw materials and outsourcing structural parts based on designed purposes.

4) Effectively select manufacturing processes and outsourcing processes to achieve "high efficiency".

5) Effectively cover all purchasers.

6) Establish a "terminal to terminal" organizational structure to effectively support the development towards sophisticated core areas including design, procurement, production and marketing.

The system will be built based on four cornerstones, namely **upgrading the product module, improving the "Light Tower" Plants, kicking off the sales and marketing transformation and promoting the organizational development**, as well as 21 specific initiatives as levers. Therefore, the Group can practically implement its strategic planning for the Sophisticated Manufacturing System, and create best practices to provide guidance for the development of the industry.



1) *Upgrade of "Product Module"*

At present, the PRC semi-trailer market is in the process of upgrade from the first generation to the second generation. The second-generation trailer is composed of three Level 1 modules (cargo platform module, trailer chassis module and travelling mechanism module).

The Company has established two divisions, i.e. DE-X and DE-Y, which work closely with the ME division and DE teams of each manufacturing department through sharing resource and joint advancement.

In the process of upgrading product modules, the Group will take the following six major steps as levers:

**Lever 1.1** • Sort out the Level 1 module of #1-#6 trailers.

**Lever 1.2** • Define the Level 2 and Level 3 modules under each Level 1 module.

**Lever 1.3** • 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 1.4** • Carry out digital modeling design of the optimized Level 2 and Level 3 modules.

**Lever 1.5** • Build the Product Configurator.

**Lever 1.6** • Use product life cycle management system to manage the above process and Level 3 and Level 2 product modules.

2) *Improvement of "Light Tower" Plants*

The Group started construction of the "Light Tower" Plants since 2014. At present, the Group 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 the production of truck bodies for refrigerated trucks. "Light Tower" Plants showcase the Group's green concept of "saving energy and reducing pollution" from the design concept to the manufacturing process, with an aim to continuously promote product upgrading and green development. The Group have obtained the honor of National "Green Plant" for consecutive years, reflecting its exemplary role in building the Sophisticated Manufacturing System and taking lead in the green development of the semi-trailer industry.

Advantages of the "Light Tower" Plants: good product quality, high material utilization, high production efficiency, and no worries about environmental protection. However, "Light Tower" Plants are subject to corresponding production conditions: batch production, modularized work pieces and perfect materials management must be available. This has also imposed higher requirements of integrated technologies and management efficiency for the construction and development of "Light Tower" Plants.

The Group summarized the following seven key levers for "Light Tower" Plants:

**Lever 2.1•** Develop the high-precision uncoiling, blanking and stamping ability.

**Lever 2.2•** For highly repetitive welding work, set the automated welding device or robotic welding station.

**Lever 2.3•** Set the electrophoretic primer device with low VOCs emissions.

**Lever 2.4 (a)•** Establish the automated spraying device for highly repetitive powder spraying work, and attempt to set up the powder spraying workstation controlled by robots for spraying processes with relatively controllable size but significant surface changes.

**Lever 2.4 (b)•** Attempt to build automated "rolling brush and baking finish lines" and adopt single-sided or two-sided coating for ultra-thin metal plates below 1.0mm (including galvanized plates, aluminum plates and stainless steel plates) used in truck bodies and K2 plates.

**Lever 2.5•** Adopt the tact-system production line for the modularized Level 1 module.

**Lever 2.6•** Establish a digital management process and labeling system for the Post Goods Receipts and Put-away of modularized Level 2 and Level 3 modules.

**Lever 2.7•** Establish the digital management process and label for the modularized modules and the product configurator for trailer products.

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

Marketing transformation refers to building a bridge for evolving from traditional marketing to new marketing and new retail. The Group summarized the following four key levers for marketing transformation:

**Lever 3.1•** Utilize the Product Configurator to create a "price broadband" to form price difference, and develop basic products with low price and high performance based on the matching results of price range and customer base.

**Lever 3.2•** Build a live-streaming interaction and sharing platform with 24/7 online customer services, so as to receive customer inquiries and interact with customers in the live broadcast.

**Lever 3.3•** Build an online vehicle exhibition platform where consumers can "select products, compare prices and place an order", as well as arrange offline meetings with sales consultants and test vehicles.

**Lever 3.4•** Utilize the Product Configurator to formulate a digital catalog of after-sales parts and components, service stations for replacement, and price lists. Provide online booking and provision of services.

4) *Promotion of the Organizational Development*

Organizational development refers to establishing teams and departments with high potentials and "terminal to terminal" plants as well as establishing enterprises with pursuit of the customers' satisfaction focusing on levers of kicking off the sales and marketing transformation, improving the "Light Tower" Plants and upgrading the product module.

**Lever 4.1•** Establish fundamentals of the Group.

a) Establish "real fundamentals" of the Group based on current conditions.

b) Establish "visionary fundamentals" of the Group for the next two or three years.

c) Bridge the gap between "real fundamentals" and "visionary fundamentals".

**Lever 4.2•** Sort out and explore core operating procedures of the Group.

**Lever 4.3•** Define core positions (N-2) for core processes.

a) Explore suitable candidates for these core positions and ensure compatibility.

b) At present, each subsidiary shall carefully form a technical director office. Following defining core processes of product modules, "Light Tower" Plants, and sales and marketing transformation, each subsidiaries shall clearly describe how the technical director office manages the establishment and application of product modules as well as the work interface of the technical director office, "Light Tower" Plants, and sales and marketing transformation. Careful consideration should be given in selecting the technical director of each subsidiary, and proper resources shall be allocated for conducting relevant training.

c) Establish training and certification mechanisms for upgrading the product module at each subsidiary.

d) Establish training and certification mechanisms for improving "Light Tower" Plants at each subsidiary.

e) Establish training and pilot mechanism for promoting sales and marketing transformation at each subsidiary, so as to provide trainings for marketing talents with high potentials.

**Lever 4.4•** Redefine the governance structure of the member companies:

a) The mission and work content of the Board of Directors.

b) The mission and work content of the general meeting of Shareholders.

c) The approach and methods for employees, minority shareholders and strategic investors to hold shares.

d) Profit sharing plan and long-term equity incentive mechanism for N, N-1 and N-2 positions.

### 2. *Managing "New Infrastructure" under the Sophisticated Manufacturing System*

In order to support the implementation of four cornerstones, the Group further sorted out the grass-root management structure and logics to optimize the management efficiency and capabilities of the Group, with the aim of integrating digital, intelligent and efficient management genes into ordinary management work.

To this end, the Group proposed that managing "new infrastructure" under the Sophisticated Manufacturing System consists of Budget 2021, Cash 2021, Performance 2021, Incentive 2021 and Report 2021. The management of new infrastructure will be built according to these five areas, thus exploring and formulating a more efficient, intelligent, and digital-based work framework and process.

At present, the work of Budget 2021 and Cash 2021 has achieved preliminary results. The work of Performance 2021, Incentive 2021 and Report 2021 will continue to be sorted out with the advancement of the Sophisticated Manufacturing System.

*1) Budget 2021*

Major plants of the Group have formulated a three-year business plan, which requires such plants to complete figures in line with the three-year business plan. Based on the three-year business plan, the Group has formulated its three-year business plan, and established a leading and work group for Budget 2021 to prepare budgets of each company and the consolidated budget of the Group.

*2) Cash 2021*

a) Ensure meeting capital requirements for future dividend distribution to shareholders

b) Ensure meeting capital requirements for achieving budget goals and investment plans

c) Enhance the efficiency of capital use and optimize the debt structure

*3) Performance 2021*

A performance committee is set up to carry out performance assessment from four dimensions, namely profitability, cash flow, investment return, and reporting to shareholders. In particular, the core work of Performance 2021 Work Group includes:

a) formulating guidelines on performance indicators and bonus distribution for each core company;

b) formulating guidelines on performance assessment for each core company; and

c) establishing corresponding work mechanisms and procedures.

4) *Incentive 2021*

Incentives for core talents: The Group has established a standard system for accrediting core talents who may play a significant role in the Group's strategic development in the future. In order to ensure its sustainable development, the Group has also formulated special incentive plans, including employee stock ownership plans and job allowance programs, to empower and retain core talents.

Incentives for key projects: The Group has set up a special incentive fund for projects that play significant roles in promoting the Company's development strategy, and will carry out special evaluation and review of outstanding individuals, PMO promotion teams and implementation teams in such projects to grant rewards and impose punishment based on scientific assessment according to the progress of project completion. As such, the Group has built an agile and efficient project-based management system to inspire the potential of professional teams.

5) *Report 2021*

The Group will start to consolidate reports in 2021 covering finance, supply chain, domestic and international operations and sales reports to integrate all channels. Unified and standardized management will also be implemented in each subsidiary, which has laid a solid foundation for developing a digital platform for the reporting system and provided necessary conditions for the digital transformation of the Group.

In order to develop a management infrastructure which is agile enough to adapt to its business development, the Group will launch a new report work on managing new infrastructure in 2021, which will be repeatedly calculated and upgraded every year along with the update of its information system.

## OTHER INFORMATION

### I. Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, the Company or its subsidiaries did not purchase, sell or redeem its listed securities.

### II. Corporate Governance

***Corporate Governance Practices***

During the Reporting Period, the Company has complied with the applicable code provisions under the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

***Audit Committee***

The Audit Committee of the Company 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 Directors of the Company are responsible for the preparation of the financial statements, which give a true and fair view of the condition of the Group. The Audit Committee of the Company has reviewed and discussed with the management the annual results and audited financial statements of the Group for the year ended December 31, 2020.

PricewaterhouseCoopers ("**PwC**"), the Group's auditor, is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and reports the opinion solely to the shareholders of the Company. PwC gives an unqualified opinion on the consolidated financial statements of the Group as at December 31, 2020 and for the year then ended.

## III. Securities Transactions by the Directors and Supervisors

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

## IV. Scope of Work of PwC

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in this result announcement have been agreed by PwC, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the result announcement.

## DISCLOSURE OF INFORMATION

This announcement will be published on the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.cimcvehiclesgroup.com. The annual report of the Company for the year ended December 31, 2020 will be despatched by the Company to its shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

By order of the Board
**CIMC VEHICLES (GROUP) CO., LTD.**
**LI GUIPING**
*Executive Director*

Hong Kong, March 25, 2021

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

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