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CIMC VEHICLES

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)

DISCLOSEABLE TRANSACTIONS

QINGDAO CIMC SPECIAL VEHICLES ENTERING INTO THE EXPROPRIATION AND RESETTLEMENT COMPENSATION AGREEMENTS

EXPROPRIATION AND RESETTLEMENT COMPENSATION

The Board hereby announces that on September 8, 2022 (after trading hours), Qingdao CIMC Special Vehicles, a wholly-owned subsidiary of the Company, entered into the Expropriation and Resettlement Compensation Agreements with Huangdao Sub-district Office and Qingdao Natural Resources and Planning Bureau, pursuant to which, Qingdao CIMC Special Vehicles will receive the expropriation and resettlement compensation with regard to the land and attachments thereto, amounting to approximately RMB336,064,934.

IMPLICATION UNDER THE LISTING RULES OF THE HONG KONG STOCK EXCHANGE

As the Expropriation and Resettlement Compensation Agreement for Houses on the State-owned Land, the Appraisal and Compensation Agreement and the Agreement for Withdrawal (Acquisition) of the Right to Use State-owned Construction Land were entered into with relevant government authorities with similar nature, the transactions under the agreements shall be aggregated in accordance with Rule 14.22 of the Listing Rules of the Hong Kong Stock Exchange. As the highest applicable percentage ratio in respect of the transactions contemplated under the Expropriation and Resettlement Compensation Agreements is 5% or more but less than 25%, the transactions contemplated under the Expropriation and Resettlement Compensation Agreements constitute discloseable transactions of the Company pursuant to Chapter 14 of the Listing Rules of the Hong Kong Stock Exchange and are subject to the reporting and announcement requirements under the Listing Rules of the Hong Kong Stock Exchange, but are exempt from the independent Shareholders' approval requirement.

IMPLICATION UNDER THE LISTING RULES OF THE SHENZHEN STOCK EXCHANGE

Pursuant to the Listing Rules of the Shenzhen Stock Exchange, the transaction contemplated under the Expropriation and Resettlement Compensation Agreements constitutes a discloseable transaction of the Company.

INTRODUCTION

The Board hereby announces that on September 8, 2022 (after trading hours), Qingdao CIMC Special Vehicles, a wholly-owned subsidiary of the Company, entered into the Expropriation and Resettlement Compensation Agreements with Huangdao Sub-district Office and Qingdao Natural Resources and Planning Bureau, pursuant to which, Qingdao CIMC Special Vehicles will receive the expropriation and resettlement compensation with regard to the land and attachments thereto, amounting to approximately RMB336,064,934.

Agreement I. Principal Terms of the Expropriation and Resettlement Compensation Agreement for Houses on the State-owned Land

Date of the Agreement: September 8, 2022 (after trading hours)

Parties:

- (1) Huangdao Sub-district Office;
- (2) Qingdao CIMC Special Vehicles

Target Assets: Land parcel and buildings on the land parcel located in the south of Huaihe Road and west of Penghudao Street, involving two state-owned land parcels with a total area of approximately 183,819 square meters and attachments thereto, with a gross floor area of approximately 53,424.88 square meters. As at the date of this announcement, the land and buildings thereon are used as the production plant, offices and other facilities of Qingdao CIMC Special Vehicles.

BASIS FOR DETERMINING THE COMPENSATION

The expropriation and resettlement compensation is determined by the parties after fair negotiation based on normal commercial terms and with reference to the valuation report issued by the Independent Valuation Organization engaged by Huangdao Sub-district Office, in which the land datum value method and market comparison approach were adopted for state-owned land, while the cost approach was adopted for houses and appurtenances, the valuation of the Target Assets on the benchmark date (i.e. July 16, 2022) is RMB277,780,364, and the loss of production and business suspension and relocation subsidies are RMB52,044,936. On June 30, 2022, the carrying value of the Target Assets was approximately RMB101,240,306.32.

PAYMENT OF COMPENSATIONS

- Within 5 working days following the entering into of the agreement, Huangdao Sub-district Office shall pay Qingdao CIMC Special Vehicles, 60% of the total compensation, approximately RMB197,895,180 for land and attachments thereto;
- Qingdao CIMC Special Vehicles shall be responsible for clearing the attachments within the scope of Phase I land, at its own cost, within 30 days after receiving the above compensation;

- With respect to payment of the remaining compensation of RMB131,930,120, the parties agreed as follows:

A joint account shall be established by the parties, and the specimen signatures shall be jointly provided by the parties. Within 30 days following the entering into of the agreement, Huangdao Sub-district Office shall pay the remaining compensation of RMB131,930,120 to the joint account.

Qingdao CIMC Special Vehicles shall complete the procedures for cancelling the registration of the land and properties involved within 60 days after receiving the remaining compensation in the joint account in full. Within 3 working days after the completion of the cancellation procedures, the parties shall pay RMB98,947,590 of the remaining compensation to Qingdao CIMC Special Vehicles, with their specimen signatures provided. Qingdao CIMC Special Vehicles shall, within 60 days after receiving the above payment, clear the usable attachments on the remaining land parcels, for acceptance according to the standards confirmed by the parties. On the date of acceptance, the parties shall pay the remaining compensation of RMB32,982,530 to Qingdao CIMC Special Vehicles with their specimen signatures, and at the same time, Qingdao CIMC Special Vehicles shall deliver the land to Huangdao Sub-district Office.

PROCEDURES FOR DELIVERY OF TARGET ASSETS

Upon the completion of the full payment of the compensation, Qingdao CIMC Special Vehicles will simultaneously deliver the land meeting conditions including but not limited to the following to Huangdao Sub-district Office for management:

1. The boundary of land delivered is clear, and there are no ownership disputes, third-party assets above or below the ground, or mortgage or seizure of land and buildings thereon, or legal disputes or actions;
2. The procedures for cancellation of the ownership certificates and land transfer contracts are completed for the land and properties within the boundary of land delivered;
3. The right to dispose of the attachments above the ground remains with Qingdao CIMC Special Vehicles;
4. If the land and property ownership certificates are not changed or canceled within the agreed period due to reasons attributable to Qingdao CIMC Special Vehicles, Huangdao Sub-district Office has the right to terminate the agreement. The parties acknowledge that the compensation paid will not be refunded if the land cannot be expropriated due to reasons not attributable to Qingdao CIMC Special Vehicles; and
5. If there are pollution issues including environmental non-compliance in the resumed land, Qingdao CIMC Special Vehicles shall be responsible for the rectification at its own cost.

Agreement II. Principal Terms of the Appraisal and Compensation Agreement

Date of the Agreement: September 8, 2022 (after trading hours)

Parties: (1) Huangdao Sub-district Office;
(2) Qingdao CIMC Special Vehicles

Target Assets: Attachments above the concrete floor of the land parcel located in the south of Huaihe Road, Huangdao Street and west of Penghudao Street, and above the ground of the temporary buildings.

BASIS FOR DETERMINING THE COMPENSATION

The expropriation and resettlement compensation is valued and confirmed by the Independent Valuation Organization engaged by Qingdao CIMC Special Vehicles under the cost approach. The valuation of the Target Assets is RMB3,402,760 on the valuation reference date (i.e. July 16, 2022). On June 30, 2022, the carrying value of the Target Assets was approximately RMB0.

The compensations include the compensations for the attachments built by Qingdao Ruihaoda Automobile Sales Co., Ltd. (青島銳昊達汽車銷售有限公司) and Qingdao Qiancheng Hongyu Industry Co., Ltd. (青島千成弘羽實業有限公司), which were former lessees (collectively, the “**Former Lessees**”). The compensation payable to the Former Lessees is RMB1,070,642. The Former Lessees confirmed with Huangdao Sub-district Office that they could receive the above compensations. Before the entering into of the agreement, the leases of the Former Lessees were terminated and the self-built attachments were cleared. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Former Lessees and their ultimate beneficial owners are independent third parties of the Company and its connected persons.

PAYMENT OF COMPENSATIONS

- The total compensation under the agreement is RMB3,402,760, which shall be paid by Huangdao Sub-district Office to Qingdao CIMC Special Vehicles in full and in one lump sum in accordance with the agreement;
- Within 5 working days after receiving all the above compensation in full, Qingdao CIMC Special Vehicles shall pay the Former Lessees respectively, the compensations corresponding to the attachments built by them during the lease period, based on the amounts confirmed above.

PROCEDURES FOR DELIVERY OF TARGET ASSETS

- Qingdao CIMC Special Vehicles shall be responsible for clearing the attachments within the land at its own cost within 30 days after receiving the above compensation in full, subject to the acceptance inspection by Huangdao Sub-district Office;

- The parties acknowledge that the compensation paid will not be refunded if the land cannot be resumed due to reasons not attributable to Qingdao CIMC Special Vehicles. Upon Huangdao Sub-district Office paying the compensation in full to Qingdao CIMC Special Vehicles in accordance with the agreement, the compensation for the land and attachments above the ground involved in the agreement is paid in full, and the parties have no disputes over the matters agreed in the agreement;
- From the date of entering into the agreement, Qingdao CIMC Special Vehicles undertakes not to make other claims due to the clearing of the attachments above the ground involved in the valuation report of Huangdao Sub-district Office. Qingdao CIMC Special Vehicles shall handle, and Huangdao Sub-district Office will not assume any responsibilities for or bear any additional costs for all disputes and responsibilities arising from the removal and clearing of the attachments above the ground.

Agreement III. Principal terms of the Agreement for Withdrawal (Acquisition) of the Right to Use State-owned Construction Land

Date of the Agreement: September 8, 2022 (after trading hours)

Parties:

- (1) Qingdao Natural Resources and Planning Bureau;
- (2) CIMC Group;
- (3) Huangdao Sub-district Office

Target Assets: Industrial land located in the south of Huaihe East Road and the west of Penghudao Street in Huangdao District, with a registered area of 5,896 square meters (or 8.84 mu) for the land use right. The registrant of the state-owned land use right of the land is CIMC Group, and the actual state-owned land use right of the land and the accompanying rights and interests belong to Qingdao CIMC Special Vehicles. Due to historical reasons, Qingdao CIMC Special Vehicles has not completed the land transfer procedures after obtaining the land. Therefore, CIMC Group is only the signatory of the agreement and Qingdao CIMC Special Vehicles is the actual compensation recipient.

BASIS FOR DETERMINATION THE COMPENSATION

Land compensation: If the land use right is obtained by way of transfer, the land compensation is determined based on the current appraised value for the remaining term of the original land use. The compensation for land resumption is determined with reference to the Land Valuation Report (No.: Shandong Gui He Jin Tu Di (2022) (Valuation) Zi No.5024) issued by the Independent Valuation Organization engaged by Huangdao Sub-district Office. The valuation was based on the land datum value method and market comparison approach. The valuation of the Target Assets on the benchmark date (i.e. August 5, 2022) is RMB1,953,758. On June 30, 2022, the carrying value of the Target Assets was approximately RMB805,485.14. The land compensation was determined to be RMB1,953,758 after the review organized by Qingdao Natural Resources and Planning Bureau.

Other compensation: Other compensation is RMB1,953,758, of which the agreement is signed within 15 days after Qingdao Natural Resources and Planning Bureau applies to the Qingdao Municipal People's Government (Free Trade Zone) for resumption of the above land and obtains approval, Huangdao Sub-district Office will give Qingdao CIMC Special Vehicles, 50% of the land compensation, amounting to RMB976,879; if the cancellation of the land ownership certificate, land clearing and land delivery are completed within 30 days after CIMC Group and Qingdao CIMC Special Vehicles sign the agreement, Huangdao Sub-district Office will give Qingdao CIMC Special Vehicles, 50% of the land compensation, amounting to RMB976,879.

PAYMENT OF COMPENSATIONS

The land compensation of RMB1,953,758 and other compensation of RMB1,953,758 shall be paid by Huangdao Sub-district Office to the account of Qingdao CIMC Special Vehicles within 5 working days following the entering into of the agreement and on the day of land delivery respectively.

NET PROFIT ATTRIBUTABLE TO THE ASSETS INVOLVED IN THE TRANSACTION FOR THE TWO FINANCIAL YEARS PRIOR TO THE TRANSACTION

Due to the lease of some of the Target Assets to the Former Lessees, the Company achieved a net profit before income tax of RMB57,539.68 and a net profit after income tax of RMB43,154.76 in the transaction of the Target Assets in 2020. In 2021, the Company did not lease out any Target Assets. Therefore, there was no revenue generated from the Target Assets of the Company in 2021.

PROCEDURES FOR DELIVERY OF TARGET ASSETS

Within 45 days following the signature of the agreement, CIMC Group shall deliver the land meeting conditions including but not limited to the following to Huangdao Sub-district Office for management:

- The boundary of land delivered is clear, and there are no ownership disputes, third-party assets above or below the ground, or mortgage or seizure of land, or legal disputes or actions;
- The procedures for cancellation of the ownership certificates are completed for the land within the boundary of land delivered; and
- If the land ownership certificates are not cancelled within the agreed period due to reasons attributable to CIMC Group, Qingdao Natural Resources and Planning Bureau has the right to resume the land in accordance with the agreement and cancel the land ownership certificate according to relevant requirements. The three parties acknowledge that the compensation paid will not be refunded if the land cannot be resumed due to reasons not attributable to CIMC Group.

FINANCIAL IMPACT OF EXPROPRIATION COMPENSATION

As at June 30, 2022, the carrying value of the Target Assets in this expropriation is shown in the following table:

<i>Unit: RMB</i>				
Assets	Assets classes	Original book value	Depreciation provided	Net book value
Land	Intangible assets	42,908,608.29	12,887,288.78	30,021,319.51
Buildings and the attachments above the ground	Fixed assets	<u>146,471,490.00</u>	<u>74,447,018.05</u>	<u>72,024,471.95</u>
Total		<u>189,380,098.29</u>	<u>87,334,306.83</u>	<u>102,045,791.46</u>

According to the valuation results issued by the Independent Valuation Organization, the total appraised value of the above land and the buildings on the ground is RMB232,315,845; the total appraised value of the attachments on the ground is RMB50,821,037; the compensation expenses for the loss of production and business cessation and relocation subsidies are RMB52,044,936. In addition, according to the agreement of the parties, other compensation is RMB1,953,758. Total amount of the above is RMB337,135,576.

After deducting the compensation amount paid to the Former Lessees, the net book value, and the payment of various taxes and expenses during the demolition process, the relevant compensation amount is estimated to have an impact on the net profit in the range of RMB130 million and RMB170 million, accounting for 14% to 19% of the latest audited net profit. The Company will carry out the accounting treatment in accordance with the relevant requirements of the China Accounting Standards for Business Enterprises. As there is uncertainty in the subsequent relocation and the costs incurred, the specific accounting treatment and the impact amount are subject to the results confirmed by the annual audit of the auditors.

USE OF PROCEEDS

The Company's liquidity is replenished after paying various taxes and expenses in the process of expropriation.

REASONS AND BENEFITS OF EXPROPRIATION COMPENSATION

The compensation received for this expropriation will be used to pay for taxes and expenses in the expropriation process and to enrich the Company's cash flow. At the same time, as the Company is vigorously promoting the construction of high-end manufacturing system, the Company has high-end production centers and high-end manufacturing networks in the Bohai Rim Region. The expropriation will enable the Company to better utilize its established high-end production center and high-end manufacturing network to provide better quality products and services to customers and further enhance the Company's core competitiveness in the Bohai Rim Region, thereby winning a greater market share in the industry competition.

The Directors (including independent non-executive Directors) are of the view that the terms of the Expropriation and Resettlement Compensation Agreements are on normal commercial terms and are fair and reasonable to the Company and the Shareholders, therefore the transactions are in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

Qingdao CIMC Special Vehicles

Qingdao CIMC Special Vehicles, a limited liability company established in China, is a wholly-owned subsidiary of the Company, principally engaged in the production of road motor vehicles.

Huangdao Sub-district Office

Huangdao Sub-district Office is located in Huangdao District, Qingdao City (i.e. Qingdao West Coast New Area), and mainly serves Qingdao Area, China (Shandong) Pilot Free Trade Zone, Qingdao Economic & Technical Development Zone and Qiaotoubao International Business District. According to the Notice on Publishing the Guiding Opinions on the Expropriation and Relocation of State-owned Land in Huangdao District, Qingdao City (Qing Xi Xin Guan Fa [2021] No.33 Circular) jointly issued by the Administration Commission of Qingdao West Coast New Area and the People's Government of Huangdao District, Qingdao in 2021, Huangdao Sub-district Office is responsible for organizing and implementing the withdrawal of the state-owned land use right involving houses completed or under construction, and expropriation of houses above the ground, and compensation for the resumption and expropriation, within its jurisdiction.

Qingdao Natural Resources and Planning Bureau

Qingdao Natural Resources and Planning Bureau (Qingdao Free Trade Zone) is mainly responsible for the management of natural resources, state-owned land, urban and rural construction in Qingdao Area, China (Shandong) Pilot Free Trade Zone, Qingdao Economic & Technical Development Zone. According to the Notice on Publishing the Guiding Opinions on the Expropriation and Relocation of State-owned Land in Huangdao District, Qingdao City (Qing Xi Xin Guan Fa [2021] No.33 Circular) jointly issued by the Administration Commission of Qingdao West Coast New Area and the People's Government of Huangdao District, Qingdao in 2021, Qingdao Natural Resources and Planning Bureau is responsible for signing the agreement for the resumption of state-owned land involving undeveloped constructions or non-housing attachments.

CIMC Group

CIMC Group is a company limited by shares incorporated in China on January 14, 1980, listed on the Shenzhen Stock Exchange (Stock Code: 000039) and the Hong Kong Stock Exchange (Stock Code: 2039), and is the controlling shareholder of the Company. CIMC Group is a world-leading equipment and solution provider in the logistics and energy industries and is principally engaged in the manufacture of containers, road transportation vehicles, energy, chemical and liquid food equipment, offshore engineering equipment, logistics service and airport facilities equipment.

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, the counterparties to the Expropriation and Resettlement Compensation Agreements and their ultimate beneficial owners are independent third parties of the Company and its connected persons.

IMPLICATION UNDER THE LISTING RULES OF THE HONG KONG STOCK EXCHANGE

As the Expropriation and Resettlement Compensation Agreement for Houses on the State-owned Land, the Appraisal and Compensation Agreement and the Agreement for Withdrawal (Acquisition) of the Right to Use State-owned Construction Land were entered into with relevant government authorities and are similar in nature, the transactions under the agreements shall be aggregated in accordance with Rule 14.22 of the Listing Rules of the Hong Kong Stock Exchange. As the highest applicable percentage ratio in respect of the transactions contemplated under the Expropriation and Resettlement Compensation Agreements is 5% or more but less than 25%, the arrangement contemplated under the Expropriation and Resettlement Compensation Agreements constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules of the Hong Kong Stock Exchange and is subject to the reporting and announcement requirements under the Listing Rules of the Hong Kong Stock Exchange, but is exempt from the independent Shareholders' approval requirement.

IMPLICATION UNDER THE LISTING RULES OF THE SHENZHEN STOCK EXCHANGE

Pursuant to the Listing Rules of the Shenzhen Stock Exchange, the transaction contemplated under the Expropriation and Resettlement Compensation Agreements constitutes a discloseable transaction of the Company.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below unless the context requires otherwise:

“Agreement for Withdrawal (Acquisition) of the Right to Use State-owned Construction Land”	the agreement for withdrawal (acquisition) of the right to use state-owned construction land entered into by and between CIMC Group, Qingdao Natural Resources and Planning Bureau and Huangdao Sub-district Office on September 8, 2022 (after trading hours)
“Appraisal and Compensation Agreement”	the appraisal and compensation agreement entered into by and between Qingdao CIMC Special Vehicles and Huangdao Sub-district Office on September 8, 2022 (after trading hours)
“Board”	the Board of Director(s) of the Company
“China”	the People's Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of China, the Macau Special Administrative Region of China and Taiwan
“CIMC Group”	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint stock company incorporated in China on January 14, 1980 and listed on the Shenzhen Stock Exchange (stock code: 000039) and the Hong Kong Stock Exchange (stock code: 2039), and the controlling shareholder of the Company

“Company”	CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司), a joint stock company with limited liability established under the laws of China on August 29, 1996, whose H shares and A shares are listed and traded on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange respectively
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules of the Hong Kong Stock Exchange
“Director(s)”	the director(s) of the Company
“Expropriation and Resettlement Compensation Agreements”	the Expropriation and Resettlement Compensation Agreement for Houses on the State-owned Land and the Appraisal and Compensation Agreement entered into by and between Qingdao CIMC Special Vehicles and Huangdao Sub-district Office on September 8, 2022 (after trading hours), and the Agreement for Withdrawal (Acquisition) of the Right to Use State-owned Construction Land entered into by and between CIMC Group, Qingdao Natural Resources and Planning Bureau and Huangdao Sub-district Office on September 8, 2022 (after trading hours)
“Expropriation and Resettlement Compensation Agreement for Houses on the State-owned Land”	the expropriation and resettlement compensation agreement for houses on the state-owned land entered into by and between Qingdao CIMC Special Vehicles and Huangdao Sub-district Office on September 8, 2022 (after trading hours)
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huangdao Sub-district Office”	Huangdao Sub-district Office, Huangdao District, Qingdao City
“independent third parti(es)”	has the meaning ascribed thereto under the Listing Rules of the Hong Kong Stock Exchange
“Independent Valuation Organization”	Shandong Guihejin Land Real Estate Assets Appraisal Surveying and Mapping Co., Ltd. (山東貴和金土地房地產資產評估測繪有限公司)
“Listing Rules of the Hong Kong Stock Exchange”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Listing Rules of the Shenzhen Stock Exchange”	the Rules Governing the Listing of Shares on the ChiNext Market of the Shenzhen Stock Exchange, as amended from time to time

“Qingdao CIMC Special Vehicles”	Qingdao CIMC Special Vehicles Co., Ltd. (青島中集專用車有限公司), a limited company established in China, and is a wholly-owned subsidiary of the Company as at the date of this announcement
“Qingdao Natural Resources and Planning Bureau”	Qingdao Natural Resources and Planning Bureau (Qingdao Free Trade Zone)
“RMB”	the lawful currency of China
“Shareholder(s)”	shareholder(s) of the Company
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“Target Assets”	the land and buildings thereon under the Expropriation and Resettlement Compensation Agreements
“%”	per cent

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

Hong Kong, September 8, 2022

*As at the date of this announcement, the Board comprises eight members, being Mr. Mai Boliang**, Mr. Li Guiping*, Mr. Zeng Han**, Mr. Wang Yu**, Mr. He Jin**, Mr. Feng Jinhua***, Mr. Fan Zhaoping*** and Mr. Cheng Hok Kai Frederick***.*

* *Executive Director*

** *Non-executive Directors*

*** *Independent non-executive Directors*