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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)**

## **ANNOUNCEMENT IN RELATION TO TERMINATION AND CHANGES OF CERTAIN A SHARE PROCEEDS-FUNDED PROJECTS**

References are made to the overseas regulatory announcement which sets out the Prospectus for the Initial Public Offering and Listing of Shares of CIMC Vehicles (Group) Co., Ltd. on the ChiNext Market (“**A Share Prospectus**”) published by CIMC Vehicles (Group) Co., Ltd. (the “**Company**” or “**CIMC Vehicles**”) on 5 July 2021, the circular of the Company (the “**Circular**”) dated 26 April 2021 and the Announcement on Reconsideration and Termination and Postponement of Certain A Share Proceeds-funded Projects set out in the Company’s Overseas Regulatory Announcement dated 27 March 2023, in relation to, among others, the proposed amount of the proceeds from A Share Offering (“**A Share Proceeds**” or “**Proceeds**”), its proposed uses (“**A Share Proceeds-funded Projects**”) and termination and postponement of certain A Share Proceeds-funded Projects. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the A Share Prospectus and the Circular.

On 23 August 2023, the Company held the seventh meeting in 2023 of the second session of the Board of Directors and the sixth meeting in 2023 of the second session of the Supervisory Committee, at which the Resolution on Termination and Changes of Certain A Share Proceeds-Funded Projects was considered and approved by unanimous votes, authorizing the Company to terminate and change certain A Share Proceeds-funded Projects in line with the actual situation of the A Share Proceeds-funded Projects, and open a special account to deposit the Proceeds for new A Share Proceeds-funded Projects, and agreeing to authorize the Chief Executive Officer and President of the Company and his authorized persons to handle the matters in relation to the termination and changes of A Share Proceeds-funded Projects, including but not limited to the cancellation and opening of the special account for the Proceeds, and the signing of related agreements and documents.

The Resolution on Termination and Changes of Certain A Share Proceeds-funded Projects shall be subject to the approval of the general meeting of the Company. Relevant situations are announced as follows:

### **I. BASIC INFORMATION ON A SHARE PROCEEDS**

As approved by the registration under the Reply in Relation to Approval for Registration of Shares in Initial Public Offering of CIMC Vehicles (Group) Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1719) issued by CSRC and with the permission of the Shenzhen Stock Exchange, the Company issued 252.6 million A Shares with a par value of RMB1 each, at the issue price of RMB6.96 per Share. The A Share Proceeds were RMB1,758.096 million in aggregate. The actual net A Share Proceeds are RMB1,583.7768 million after deducting the issue expenses of RMB174.3192 million (exclusive of tax). PricewaterhouseCoopers Zhong Tian LLP verified the payment of the A Share Proceeds of the Company, and issued the capital verification report (PwC Zhong Tian Yan Zi (2021) No. 0668) on 5 July 2021. The Company has the A Share Proceeds deposited in a special account.

## II. INFORMATION ON A SHARE PROCEEDS-FUNDED PROJECTS

The Company held the fourth meeting in 2023 of the second session of the Board of Directors and the third meeting in 2023 of the second session of the Supervisory Committee on 27 March 2023, and held the annual general meeting for 2022 on 25 May 2023, at which the Resolution on Reconsideration and Termination of Certain A Share Proceeds-funded Projects was considered and approved, thus authorizing the Company to terminate the sub-projects of the “Light Tower Plants Upgrade and Construction Project”, namely the Coating Production Line Upgrading and Technical Transformation Project, the Yangzhou CIMC Tonghua Digital Semi-trailer Upgrading Project, and the New Retail Construction Project. The total amount of the aforesaid terminated A Share Proceeds-funded Projects is RMB242,969,700.

As of 31 July 2023, a total of RMB759,420,500 was used for the A Share Proceeds-funded Projects of the Company. The actual use of the A Share Proceeds is as follows:

*Unit: RMB’0,000*

No.	Project Name	Total Investment	Amount Intended to Be Invested with the Proceeds	Amount Actually Invested with the Proceeds	Investment Progress	Date on Which the Project is Ready for its Intended Use
1	Digital Transformation, Research and Development Project	78,512.00	43,877.68	5,765.22	13%	July 2026
2	Light Tower Plants Upgrade and Construction Project	148,071.07	65,203.03	45,176.83	69%	December 2024
3	Repayment of Bank Loans and Replenishment of Working Capital	25,000.00	25,000.00	25,000.00	100%	-
<b>Total</b>		<b>251,583.07</b>	<b>134,080.71</b>	<b>75,942.05</b>	<b>-</b>	<b>-</b>

Note: The “Amount Intended to Be Invested with the Proceeds” (i.e. RMB1,340,807,100) in the table above excludes the remaining part (i.e. RMB242,969,700) of the Proceeds originally proposed to be used for the terminated A Share Proceeds-Funded Projects.

## III. INFORMATION ON CURRENT TERMINATION OF CERTAIN A SHARE PROCEEDS-FUNDED PROJECTS

The Company intends to terminate the sub-projects of Digital Transformation, Research and Development Project, namely Semi-trailer Core Module Digitalisation Upgrading Project and New Generation Intelligent Refrigerated Van Truck Bodies Module Digitalisation Upgrading Project, and also the sub-projects of Light Tower Plants Upgrade and Construction Project, namely Project on Walking Mechanism Products (Axle and Suspension) with An Annual Production Capacity of 50,000 Sets. The total amount of the A Share Proceeds-funded Projects to be terminated as proposed is RMB238,897,200. The sum of the amount of the A Share Proceeds-funded Projects proposed to be terminated and the amount of the A Share Proceeds-funded Projects previously terminated is RMB481,866,900.

Unit: RMB'0,000

No.	Name of Projects Proposed to Be Terminated	Total Project Investment	Amount Committed to Be Invested with the Proceeds	Amount of Actually Utilized Proceeds	Amount of Unutilized Proceeds	Construction Period	Investment Progress
1	Semi-trailer Core Module Digitalisation Upgrading Project	25,384.00	9,849.68	0.06	9,849.62	60 months	0.00%
2	New Generation Intelligent Refrigerated Van Truck Bodies Module Digitalisation Upgrading Project	8,640.00	8,640.00	599.90	8,040.10	60 months	6.94%
3	Project on Walking Mechanism Products (Axle and Suspension) with An Annual Production Capacity of 50,000 Sets	18,650.00	6,000.00	0.00	6,000.00	12 months	0.00%
Total		<u>52,674.00</u>	<u>24,489.68</u>	<u>599.96</u>	<u>23,889.72</u>	-	-

The details of the A Share Proceeds-funded Projects proposed to be terminated are as follows:

**(I) Information on Termination of the Semi-trailer Core Module Digitalisation Upgrading Project**

**1. Reasons for terminating the Semi-trailer Core Module Digitalisation Upgrading Project**

The Semi-trailer Core Module Digitalisation Upgrading Project is one of the sub-projects of Digital Transformation, Research and Development (“R&D”) Project, which is mainly implemented by CIMC Vehicles. In the feasibility study stage of the project, the Company intends to research and upgrade the semi-trailer modules for Chinese market, including digitalisation upgrading of chassis modules and truck bodies modules of several types of semi-trailers, and purchase and deployment of related design and management software. RMB98.4968 million was originally proposed to be paid out of the Proceeds for this project. As of 31 July 2023, RMB600 of the A Share Proceeds was used for the project, with the investment progress of 0.00%.

**2. Information on Reconsideration of the project**

In accordance with Article 6.3.4 of the Self-regulatory Guidelines No. 2 for the Companies Listed on the Shenzhen Stock Exchange – the Standardized Operation of Companies Listed on the ChiNext Market, the Company reconsidered the project.

The Company launched its Third Venture in 2023. With the continuous progress of the Third Venture of the Company and the structural reform planning of the production organization under the Star-chained Manufacturing Network, the Company has identified the semi-trailer digitalisation transformation and modularization as a key project for product upgrading, and newly set up a professional committee for semi-trailer modularization design, which will reconsolidate and reorganize semi-trailer modularization based on the new production organization structure and business processes so as to adapt to the brand-new operation and organization mode. The original R&D project needs to be upgraded to a new project with deep collaboration between R&D and manufacturing. The new project will fully realize collaborative design, collaborative manufacturing and collaborative sales of products, and the full connection among business processes within the full life cycle of product data, and fully realize the digitalization, informationization and intelligence of design, manufacturing and sales. In order to improve the efficiency in the use of the Proceeds, maximize the interests of the Shareholders, and avoid the loss of funds and resources, after careful study, the Company intends to terminate the Semi-trailer Core Module Digitalisation Upgrading Project.

## **(II) Information on Termination of the New Generation Intelligent Refrigerated Van Truck Bodies Module Digitalisation Upgrading Project**

### ***1. Reasons for terminating the New Generation Intelligent Refrigerated Van Truck Bodies Module Digitalisation Upgrading Project***

The New Generation Intelligent Refrigerated Van Truck Bodies Module Digitalisation Upgrading Project is one of the sub-projects of Digital Transformation, Research and Development Project, which is mainly implemented by the Company. The project investment covers modularization research and development of van truck bodies, new energy refrigeration units, and smart interconnection modules. At present, in the first stage of the project, the Company has utilized the Proceeds to carry out the modularization design of van truck bodies, and completed the process development for high-efficiency skin molding, polyurethane foaming and plate connection. RMB86.40 million was originally proposed to be paid out of the Proceeds for this project. As of 31 July 2023, RMB5.999 million of the Proceeds was used for the project, with the investment progress of 6.94%.

China's new energy automobile industry is developing rapidly, and the supply chain of parts related to commercial refrigerated vehicles is becoming more and more mature, and products such as refrigeration unit and intelligent interconnection modules for refrigerated van truck bodies that can be used in road transportation vehicles are already available in the market through cooperation. Based on the above, due to the rapid development of the industry chain, in order to focus on the R&D of core parts, improve the efficiency in the use of the Proceeds, maximize the interests of the Shareholders, and avoid the loss of funds and resources, after careful study, the Company intends to terminate the New Generation Intelligent Refrigerated Van Truck Bodies Module Digitalisation Upgrading Project and the remaining R&D work (including refrigeration unit and intelligent interconnection modules).

### **(III) Information on Termination of the Project on Walking Mechanism Products (Axle and Suspension) with An Annual Production Capacity of 50,000 Sets**

#### ***1. Reasons for terminating the Project on Walking Mechanism Products (Axle and Suspension) with An Annual Production Capacity of 50,000 Sets***

The Project on Walking Mechanism Products (Axle and Suspension) with An Annual Production Capacity of 50,000 Sets is one of the sub-projects of the Light Tower Plants Upgrade and Construction Project, which is mainly implemented by Jiangsu Baojing. RMB60 million was originally proposed to be paid out of the Proceeds for this project. As of 31 July 2023, no A Share Proceeds was used for the project, with the investment progress of 0.00%.

#### ***2. Reconsideration of the project***

In accordance with Article 6.3.4 of the Self-regulatory Guidelines No. 2 for the Companies Listed on the Shenzhen Stock Exchange – the Standardized Operation of Companies Listed on the ChiNext Market, the Company reconsidered the project.

In 2023, the Company launched its Third Venture. With the structural reform planning of the production organization under the Star-chained Manufacturing Network, Jiangsu Baojing Auto has become an important component of the Star-chained Benteng Parts Production and Manufacturing Center. Currently, the Company has conducted thorough research and made use of its technological accumulation in core component production and manufacturing. Through independent research and development and collaborative development with partners, the Company has accumulated industry-leading product technology and manufacturing process for core components of running gear and their processing, and is now prepared to apply this technology in investment or collaborative projects. Within the organizational framework and business platform of the Star-chained Sophisticated Manufacturing System, the Company has restructured the Star-chained Benteng running gear sophisticated manufacturing line upgrade project, further upgrading the walking mechanism products, manufacturing processes, and production lines. In order to improve the efficiency in the use of the Proceeds, maximize the interests of the Shareholders, and avoid the loss of funds and resources, the project is no longer suitable for the current development plan of the Company. After careful study, the Company intends to terminate the Project on Walking Mechanism Products (Axle and Suspension) with An Annual Production Capacity of 50,000 Sets.

#### IV. INFORMATION ON CURRENT CHANGES OF A SHARE PROCEEDS-FUNDED PROJECTS

Based on the market environment and development situation of the Company, in order to improve the efficiency in the use of the A Share Proceeds, the Company intends to use RMB460,958,000 out of the A Share Proceeds to implement the following projects. The amount required for the changes of A Share Proceeds-funded Projects accounts for 29.10% of the net amount of the A Share Proceeds.

*Unit: RMB'0,000*

No.	Project Name	Total Investment	Amount Intended to Be Invested with the Proceeds
1	Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project	37,730.76	37,010.80
2	Champion Tanker Sophisticated Manufacturing Line Upgrade Project	9,006.26	8,006.00
3	Terabyte Truck Body Sophisticated Manufacturing Line Upgrade Project	1,350.11	1,079.00
<b>Total</b>		<b><u>48,087.13</u></b>	<b><u>46,095.80</u></b>

Except the Xi'an Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project, which is a sub-project of the Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project as described below, all the other projects have been filed with competent authorities as required for investment projects, and is currently undergoing review procedure for environmental impact assessment.

The details of these projects are as follows:

##### (I) Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project

###### 1. Project basics and investment plan

###### (1) Project basics

The project is proposed to be implemented by six subsidiaries in Zhumadian of Henan Province, Dongguan of Guangdong Province, Yangzhou of Jiangsu Province, Zhenjiang of Jiangsu Province, Baiyin of Gansu Province and Xi'an of Shaanxi Province respectively to upgrade the existing production lines at the existing premises. In addition, as a part of this project, leasing premises is also proposed to build Sanhao Development Centers in Taiyuan of Shanxi Province and Shijiazhuang of Hebei Province. This project takes advantage of the Company's existing technology and management strengths to reform the existing production organization structure, construct LTP

production centers and LoM manufacturing plants, and promote the LTL “Light Tower” Logistics. Upon completion, the project will have a newly increased capacity of 18,000 flatbed trailers and relevant derivative types, 7,600 container chassis trailers, and 60,000 sets of wheel hub brake drum.

Project implementer and implementation method: Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project will be implemented by the Company and its subsidiaries, and details are as follows:

*Unit: RMB’0,000*

No.	Implementer	Recorded Project Name	Amount Intended to Be Invested with the Proceeds	Implementation Method
1	Zhumadian CIMC Huajun Vehicle Co., Ltd.	Zhumadian Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project	9,709.00	Capital increase
2	Dongguan CIMC Vehicle Co., Ltd.	Dongguan Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project	5,163.00	Capital increase
3	Gansu CIMC Vehicles Co., Ltd.	Baiyin Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project	789.00	Capital increase
4	Jiangsu Baojing Auto Parts Co., Ltd.	Star-chained Benteng Walking Mechanism Sophisticated Manufacturing Line Upgrade Project	6,545.60	Capital increase
5	CIMC Vehicles (Group) Co., Ltd.	Construction Project of CIMC Vehicles Sanhao Development Center	5,230.20	Capital increase
6	CIMC-SHAC (Xi’an) Special Vehicles Co., Ltd.	Xi’an Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project	2,178.00	Capital increase
7	Yangzhou CIMC Tonghua Special Vehicles Co., Ltd.	Yangzhou Star-chained Semi-Trailer and Champion Tanker Sophisticated Manufacturing Line Upgrade Project	7,396.00	Capital increase

Note 1: “Yangzhou Star-chained Semi-Trailer and Champion Tanker Sophisticated Manufacturing Line Upgrade Project” comprises two parts, namely “Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project” and “Champion Tanker Sophisticated Manufacturing Line Upgrade Project”, of which the Amount Intended to Be Invested with the Proceeds by Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. in connection with the “Star-chained Semi-Trailer Sophisticated Manufacturing Line Upgrade Project” is RMB73.96 million.

Note 2: It has been determined that the construction project of CIMC Vehicles Sanhao Development Center does not fall under the fixed assets construction category stipulated in the Regulations on the Administration of Approval and Filing of Enterprise Investment Projects and Measures for the Administration of Approval and Filing of Enterprise Investment Projects. Therefore, there is no need for this project to go through filing procedure and environmental impact assessment procedure.

Among the implementers set out in the above table, CIMC-SHAC (Xi'an) Special Vehicles Co., Ltd. (中集陝汽重卡(西安)專用車有限公司) is a non-wholly owned subsidiary of the Company, in which the Company holds 60.7955% equity interests, CIMC Vehicle Investment Holdings Company Limited (a wholly owned subsidiary of the Company) holds 14.2045% equity interests, and Shaanxi Heavy Duty Automobile Co., Ltd. (陝西重型汽車有限公司) holds 25% equity interests. After communication between the Company and Shaanxi Heavy Duty Automobile Co., Ltd., Shaanxi Heavy Duty Automobile Co., Ltd. has agreed in writing to increase the capital of CIMC-SHAC (Xi'an) Special Vehicle Co., Ltd. in the same proportion after the implementation of its decision-making procedures, not to give up the right to subscribe for the capital increase, and to actively cooperate with the relevant procedures for the capital increase. The Xi'an Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project has not yet been filed with the government, and the procedures for approval of the environmental impact assessment have to be carried out after it has been filed with the government.

(2) *Investment plan*

The total investment of the project is RMB377,307,600, of which: the construction investment is RMB362,968,000, the initial (start-up) working capital is RMB14,339,600. The total investment composition of the Project is shown in the table below.

*Unit: RMB'0,000*

No.	Total Investment Composition	Investment Amount	Proportion	Amount In-tended to Be Invested with the Proceeds
I	Construction investment	36,296.80	96.20%	36,296.80
1	Construction cost	2,700.51	7.16%	2,700.51
2	Cost for purchase of equipment and soft-ware	29,895.09	79.23%	29,895.09
3	Other costs	3,701.20	9.81%	3,701.20
II	Initial (start-up) working capital	1,433.96	3.80%	714.00
	<b>Total</b>	<b>37,730.76</b>	<b>100.00%</b>	<b>37,010.80</b>

(3) *Construction period*

This project has a construction period of 2 years.

## 2. *Project feasibility analysis*

### (1) *Necessity*

- ① Integration of decentralized and independent business chains and establishment of an efficient operation and management system

Prior to the implementation of the Star-chained Manufacturing Network, the Company's trailer production business was independently operated by its local subsidiaries in Zhumadian of Henan Province, Dongguan of Guangdong Province, Yangzhou of Jiangsu Province, among others, each of which was independently responsible for the procurement of raw materials, and production and sales of products. Under this model, the subsidiaries competed independently in the business, and the production and sales were characterized by pointlike distribution and lack of synergy within the Company, which prevents the Company from conducting unified planning and management of production resources. In April 2022, the State Council released the Opinions on Accelerating the Construction of the National Unified Market, which puts forward the objectives of promoting efficient and smooth flow in the domestic market, expanding the scale and improving the quality of supply. CIMC Vehicles, in response to the national call and to overcome the shortcomings of the existing operating models, proposes the Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project with the aim of establishing a highly efficient operation and management system within the Group through the unification and synergy in terms of purchasing, manufacturing, circulation, production and distribution, and further improving the production efficiency.

- ② Promotion of the structural reform of production organization in line with the trend of market changes

Currently, the fragmented market and the disorganized state of the in China semi-trailer manufacturing industry is gradually being mitigated. Only semi-trailer manufacturing businesses that have a comprehensive advantage in business, technology, branding, and national operational deployment can gain a market advantage and a strong market position in the fierce competition. As a global leader in Sophisticated manufacturing of semi-trailers and specialty vehicles, the Company has a vast business presence both in China and overseas. According to the 2022 Global Semi-trailer OEM Ranking List published by Global Trailer, the Company ranked number one among semi-trailer manufacturers in the world. The Company accurately understands the market trend changes. To consolidate and improve its market position, it actively promotes self-iteration. With the adoption of the third-generation "LTP+LoM" model for construction of this project, it aims to drive the structural reform of the production organization, adapt to the new development pattern, and thereby boost the Group's production scale and achieve high-quality development for the Company.

③ Increase of the Company's market share by making a model of supply-side reform

The Company effectively deploys the Star-chained Manufacturing Network and establishes the domestic semi-trailer business group consisting of the "CIMC Star Chain Semi-Trailer LTP Production Center Organization", "CIMC Light Tower Semi-Trailer Business Group", and "Tonghua Pioneer Semi-Trailer Business Group". Through the integration of production and manufacturing resources, it aims to make a leap in market share, sales, and profits, making it a model of supply-side reform and high-quality development in the domestic semi-trailer market, and a sample of dual-wheel driving.

The Star-chained Manufacturing Network is effectively promoted with the Company's unique endowments. Firstly, the Company is the only semi-trailer producer with production qualifications in most part of China and can legally promote production and supply-side reform. Secondly, the Company's entire product line can realize synergistic sales, cover different usage scenarios of customers and satisfy diversified customer needs. Thirdly, the Company is deeply committed to the tractor-trailer integration strategy, and rapidly expands the dealer network by leveraging on the sales channels of the tractor manufacturers and improves the sales of modular products, thereby realizing cost reduction and efficiency improvement through the scale effect. Additionally, the Company's successful experiences in modular production and operations in North America and Europe can inform the construction of domestic business models. With dual drives at home and abroad, the "Star Chain Plan" is expected to be implemented successfully.

(2) *Project feasibility*

① The Company enjoys prominent advantages in innovation and strong technical reserves

Founded in 1996, the Company has been deeply engaged in the field of semi-trailer manufacturing for many years and has invested heavily in technological research and development every year. After years of technological research and development and innovation, the Company now boasts a profound technological accumulation and strength in the industry. As of the end of 2022, the Company had more than 600 research and development personnel globally, over 1,400 registered patents, and participated in the formulation and modification of 30 national and industrial standards for semi-trailers and specialty vehicle truck bodies in China. The Company is committed to improving the quality of its products through continuous R&D and innovation and process improvement. For example, the Company attaches importance to the changes brought about by the new generation of information technologies such as big data and artificial intelligence to the traditional production and manufacturing industries. Meanwhile, the Company strives to promote the integration of industrial production with digitization and informatization, and actively explores innovative product models for new energy and automated driving scenarios. All these efforts help the Company to seize the opportunities for the development of new energy specialty vehicles in the market.

The Company's profound research and development and technology reserves, as well as rich experience in production and manufacturing technically ensures the Project, guaranteeing the competitiveness of the Company's products in the market after production.

② High-quality customer resources ensure production capacity digestion

In recent years, the Company has been actively expanding its sales markets both in China and overseas. Regarding the global semi-trailer business, the Company owns high-quality customer resources such as JB Hunt, Schneider, Milestone, TIP, DHL and other first-class European and American transportation enterprises and leasing companies, with its sales network covering more than 40 countries around the world. In the domestic market, according to the China Association of Automobile Manufacturers, the Company's market share in the domestic semi-trailer market continued to climb to 14.45% in 2022, ranking first in China for four consecutive years. After the implementation of the Project, the Company will maximize its capacity in production, assembly, supply chain management and logistics management of the production bases, and is expected to capture more market shares in the domestic and overseas markets by further enhancing the production efficiency and profitability of the Group.

The Company's good customer base provides the basis for the digestion of the new production capacity of the Project and secures the Company's further profitability improvement.

③ Production base and organizational restructuring for Project implementation

The Star-chained Manufacturing Network will bring end-to-end business model changes to the domestic semi-trailer business, focusing on 3 semi-trailer products. The Project integrates the resources of 7 domestic semi-trailer factories in procurement (LTS), production (LTP), distribution (LTL), manufacturing (LoM), and distribution (sales channels). In this way, the Company will further reduce costs, steadily improve price competitiveness, shorten the product delivery cycle and enhance large-volume delivery through modularized inventory. Additionally, the Company works on launching front-trailer integrated products to promote the sales of new vehicles.

At present, the Company witnesses the completion of the top-level planning of the Star-chained Manufacturing Network, organizational structure adjustment, successful construction of business groups, validation of business models, and the determination of high-level objectives. In the next phase, the Star-chained Manufacturing Network will refine the organizational design to ensure the implementation of the organization; solidify the 6+4 core processes and streamline the important business processes; and establish a transformation office mechanism around the Star-chained Facilitation Committee, so as to form a permanent working mechanism for the promotion of transformation in the next two to three years.

### 3. Analysis of economic benefits of the Project

The Project is expected to realize an annual revenue of RMB2,023,795,900 (excluding tax), an annual total profit of RMB116,392,800, a financial internal rate of return of project investment for 14.07% (after income tax), a financial net present value of greater than zero, and an investment payback period of 7.74 years (after income tax, including the construction period of 2 years) in normal circumstances.

## (II) Champion Tanker Sophisticated Manufacturing Line Upgrade Project

### 1. Project basics and investment plan

#### (1) Project basics

The Project is proposed to be implemented by two subsidiaries in Wuhu of Anhui Province and Yangzhou of Jiangsu Province to upgrade the existing production lines at the existing premises. The Project aims to accelerate the construction of a “Light Tower Manufacturing Network” by introducing advanced manufacturing technology, and reduce production costs by utilizing sophisticated production lines and production capacity, complementary advantageous resources, efficient synergy, and digital empowerment for industrial upgrading. The completion of the Project will result in an annual increase of 3,376 sets of tankers in production capacity.

Project implementer: The Champion Tanker Sophisticated Manufacturing Line Upgrade Project is implemented by the Company’s subordinate holding subsidiary, as shown below:

*Unit: RMB’0,000*

No.	Implementer	Recorded Project Name	Amount Intended to be Invested with the Proceeds	Implementation Method
1	Wuhu CIMC Rui Jiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司)	Wuhu Champion Tanker Sophisticated Manufacturing Line Upgrade Project	2,230.00	Capital increase
2	Yangzhou CIMC Tonghua Special Vehicles Co., Ltd.	Yangzhou Star-chained Semi-Trailer and Champion Tanker Sophisticated Manufacturing Line Upgrade Project	5,776.00	Capital increase

*Note 1:* “Yangzhou Star-chained Semi-Trailer and Champion Tanker Sophisticated Manufacturing Line Upgrade Project” comprises two parts, namely “Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project” and “Champion Tanker Sophisticated Manufacturing Line Upgrade Project”, of which the Amount Intended to Be Invested with the Proceeds by Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. in connection with the “Champion Tanker Sophisticated Manufacturing Line Upgrade Project” is RMB57.76 million.

Among the above implementers, Wuhu CIMC Rui Jiang Automobile Co., Ltd. is a non-wholly-owned subsidiary of the Company, in which the Company holds a 72.2596% equity interest, Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) holds a 25.9116% equity interest, and Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥)) holds a 1.8288% equity interest. The minority shareholders, Wuhu Ruijiang Investment Co., Ltd. and Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥)) have issued a Letter of Undertaking, undertaking that they will increase the capital in the same proportion as their shareholdings.

(2) *Project investment plan:*

The total investment of the Project is RMB90,062,600, of which: the construction investment is RMB80,060,000, the initial working capital is RMB10,002,600. The total investment composition of the Project is shown in the table below.

*Unit: RMB'0,000*

No.	Total Investment Composition	Investment Amount	Proportion	Amount Intended to Be Invested with the Proceeds
I	Construction investment	8,006.00	88.89%	8,006.00
1	Construction cost	1,808.00	20.07%	1,808.00
2	Cost for purchase of equipment and software	6,198.00	68.82%	6,198.00
II	Initial (start-up) working capital	1,000.26	11.11%	—
	<b>Total</b>	<b>9,006.26</b>	<b>100.00%</b>	<b>8,006.00</b>

(3) *Construction period*

This project has a construction period of 3 years.

## 2. *Project feasibility analysis*

### (1) *Necessity of the Project*

- ① Introducing advanced production technology from overseas to improve the technical level of domestic liquid tanker production

CIMC Vehicles has successively acquired European semi-trailer brands such as SDC and LAG. Staying true to the business philosophy of “intercontinental operation and local manufacturing”, the Company, through cross-border design, Intercontinental manufacturing and global supply chain management, has successively established global production bases and regional layout in North America, Europe, Asia, Africa and Oceania. This creates a Intercontinental business landscape and has promoted the mutual integration and development of the process technology and production and operation mode of domestic and foreign tanker enterprises. With a history of more than 70 years and a wealth of industry resources and production experience, LAG sees its tankers among the top sellers in Europe. Through in-depth exchanges and cooperation with LAG, the Company applies internationally advanced tanker product design, tanker technology and modular production technology to the domestic “Light Tower” plants. That means upgrading, reforming and expanding the logistics layout of the liquid tanker production line, product technology, production equipment and other key elements of production, with a view to cost reductions and efficiency gains in production processes. Moreover, leveraging the “Light Tower” plant demonstration effect, the Company introduces the internationally advanced production mode and product technology to the domestic tanker production enterprises, which sets up industry benchmarks and guides the development and reform of the domestic liquid tanker production enterprises.

- ② Improving the Light Tower manufacturing network to enhance the competitiveness of the Company’s products in the market

In recent years, the frequent occurrence of geopolitical conflicts and energy and supply chain crises have put enterprises under unprecedented pressure on supply chain management. In the face of the opportunities and challenges brought by the external environment, the Company has established a stable global supply chain system by promoting its own organizational iteration and taking advantage of its Intercontinental operation. Furthermore, the Company has adapted to the new industry development landscape by adopting the third-generation “LTP+LoM” model to transform its production mode. The Company is making great efforts in deploying LTP production centers and LoM manufacturing factories, advancing the digitalization of processes in the LTL “Light Tower” Logistic, LTS “Light Tower” Sourcing and LoP local procurement. By making use of the sophisticated manufacturing lines and capacities, complementing each other’s advantageous resources, and efficient synergy, the Company digitally empowers industrial upgrading and realizes the comprehensive

automation, intelligence, and digitization of the process of production. Such efforts enhance the Company's ability of delivering product orders and build up the Company's stable and complete industrial chain structure, promoting the Company's stable and healthy development in the long run. The Project construction will further upgrade and expand the Company's Yangzhou and Wuhu "Light Tower" plants. In line with the Company's strategic development policy of "LTP+LoM" model, the Project construction will strengthen the automated production capacity of the Yangzhou and Ruijiang tanker lines, and optimize the product process by making use of advanced production equipment. Meanwhile, through the efficient synergy between the companies, the Company will reduce the cost of production and improve the performance parameters of the products, thus enabling the Company's products to become more competitive in the market.

③ Matching the Company's capacity release and enhancing the pollutant treatment capacity of production lines

Since its establishment, the Company has paid attention to the environmental impact of production. To that end, the Company has actively responded to national and local environmental protection policies, legally handled pollutants of production, and has maintained a good reputation in environmental production. As of December 2022, four plants under CIMC Vehicles have been recognized as "National Green Plants". Additionally, two other factories have been recognized as "Provincial Green Plants". Wuhu CIMC Rui Jiang Automobile Co., Ltd., a subsidiary of Champion Tanker Business Group, was honored with the Sixth "Anhui Provincial People's Government Quality Award". According to the China Association of Automobile Manufacturers, the sales volume of concrete mixer trucks of Champion Tanker Business Group has been the No. 1 in China for six consecutive years, with a market share of 26.32% in China. Champion Tanker Business Group has been increasing the production capacity of its products in line with the continuous expansion of the demand in the downstream market. In order to ensure that the environmental impact of the Company's production will always comply with the standards of national and local environmental protection policies, the Company intends to upgrade the sewage treatment system of its production lines through the implementation of the Project. Moreover, the Company will carry out additional construction of equipment and facilities related to pollutant control of its production lines to replace old environmental protection equipment, so as to make the Company's production pollutant treatment capacity align with the growth in production capacity.

(2) *Project feasibility*

- ① The Company enjoys industry-leading production experience and technology, providing technical support for the implementation of the Project

As a world-renowned semi-trailer manufacturer, the Company witnesses its downstream markets covering more than 40 countries and regions, with well-known brands such as “CIMC Light Tower”, “Pioneer Series (先鋒系列)”, “Tonghua (通華)” and “Huajun (華駿)”, etc. domestically, and “Vanguard”, “CIE”, “LAG” and “SDC” overseas. By integrating the production and operation advantages of domestic and foreign brands, the Company is equipped with a sound supply chain system and industry-leading production technology and know-how. As of the end of 2022, the Company had more than 600 research and development personnel globally, over 1,400 registered patents, and participated in the formulation and modification of 30 national and industrial standards for semi-trailers and specialty vehicle truck bodies in China. Visibly, the Company possesses rich experience in production and operation and accumulation of technology, which not only enables the Company to have stronger cost control for its products, but also empowers the Company to have the production capability to satisfy customers’ flexible requirements for the shape, performance and size of tankers. These advantages will help the Company to adapt to and adjust the Project construction in a timely manner, thus securing the smooth implementation of the Project and the realization of expected objectives.

- ② The Company’s good brand reputation provides important marketing support for the Project products

The Company is the world’s No. 1 manufacturer of semi-trailers, and has been at the top of the list for 10 years in a row, according to the Global OEM Rankings 2022 published by Global Trailer. Regarding the Light Tower and Pioneer (燈塔先鋒) business, the statistics of China Association of Automobile Manufacturers shows that the Company’s market share in China’s semi-trailer market reached 14.45%, with a continuously rising market share and ranking No. 1 in China for the 4th straight year. In respect of the business in North America, the Company operates well-known brands such as “Vanguard”, “CIE”, etc., and its market share in North America’s refrigerated semi-trailer market keeps on a rise. In Europe, the Company operates the “SDC” and “LAG” brands, with SDC being a market leader in the UK and LAG being one of the top-ranked tankers in Europe, enjoying a history of more than 70 years. The brands operated by the Company are historically significant and prove good market reputation, bringing the Company more business opportunities and competitive advantages. The Company will actively utilize its brand advantages to create product sales channels, which will facilitate the digestion of the new production capacity of the Project and thus provide important market support for the Project to be profitable faster.

### **3. Analysis of economic benefits of the Project**

The Project is expected to realize an annual revenue of RMB622,150,700 (excluding tax), an annual total profit of RMB33,817,600, a financial internal rate of return of project investment of 12.26% (after income tax), a financial net present value of greater than zero, and an investment payback period of 10 years (after income tax, including the construction period of 3 years) in normal circumstances.

### **(III) TB Van Sophisticated Manufacturing Line Upgrade Project**

#### **1. Project basics and investment plan**

##### **(1) Project basics**

The project is planned to carry out the construction of equipment foundations and the construction of a command center office and modification of logistical channels on the leased premises of the subsidiary in Zhenjiang of Jiangsu Province. By upgrading certain existing production lines, this project will optimize the production process of TB Van trucks business so as to improve the production efficiency of refrigerated van truck bodies and dry cargo truck bodies. Upon completion, the Project will realize a newly increased annual production capacity of assembling 1,000 units of K2-4.2m series refrigerated truck bodies, and 12,000 units of TB-4.2m series dry cargo truck bodies.

Project implementer and construction site: Truck Bodies Sophisticated Manufacturing Line Upgrade Project will be implemented by the Company's wholly-owned subsidiary, detailed as follows:

*Unit: RMB'0,000*

No.	Implementer	Recorded Project Name	Amount Intended to Be Invested with the Proceeds	Implementation Method
1	Zhenjiang CIMC Smart Specialty Vehicle Co., Ltd.	Zhenjiang Terabyte Truck Body Sophisticated Manufacturing Line Upgrade Project	1,079.00	Capital increase

(2) *Project investment plan*

The total investment of the project is RMB13,501,100, of which: the construction investment is RMB10,790,000, and the initial working capital is RMB2,711,100. The total investment composition of the Project is shown in the table below.

*Unit: RMB'0,000*

No.	Total Investment Composition	Investment Amount	Proportion	Amount Intended to Be Invested with the Proceeds
I	Construction investment	1,079.00	79.92%	1,079.00
1	Construction cost	83.00	6.15%	83.00
2	Cost for purchase of equipment and software	956.00	70.81%	956.00
3	Other costs	40.00	2.96%	40.00
II	Initial (start-up) working capital	271.11	20.08%	–
	<b>Total</b>	<b>1,350.11</b>	<b>100.00%</b>	<b>1,079.00</b>

(3) *Construction period*

This Project has a construction period of 2 years.

**2. Project feasibility analysis**

(1) *Project necessity*

- ① Conforming to the development trend of the industry and meeting the growing market demand

In recent years, the continuous advancement of urbanization and the improvement of people's living standards have promoted the upgrading of the consumption structure, and people's consumption demand for raw and cold food has been increasing. Fresh food such as agricultural products, fruits and vegetables, meat and bio-pharmaceuticals need to be transported under specific temperature conditions to maintain their freshness and quality. At the same time, the government has gradually strengthened the supervision of food and drug safety, which greatly promotes the development of the cold chain transport market. As the core transport equipment of cold chain logistics, the demand for refrigerated van trucks will continue to increase along with the growing demand for development of the cold chain transport market. According to statistics of the Cold Chain Logistics Committee of China Federation of Logistics & Purchasing, from 2015 to 2019, the inventory of China's refrigerated trucks maintained a CAGR of approximately 23.13% or more. The global food truck market was US\$98.96 billion in 2020,

and is forecast to grow at a CAGR of up to 19.0% from 2020 to 2025. The continuous increase in the demand for fresh food transportation is driving the development of the refrigerated van truck market.

In response to the industry development trend of cold chain logistics, this Project will improve production efficiency and expand production capacity from the source of infrastructure to meet the growing demand of the downstream market by upgrading and building new production lines, as well as carrying out equipment infrastructure construction and plant renovation.

- ② Improving and optimizing the existing manufacturing system to help achieve the Company's strategic development objectives

CIMC Vehicles' "TB Business Group" ("太字節廂體業務集團") was established in 2021, and the compartment business is currently in the early stage of development. At the present stage, one of the subjects of implementation of TB's compartment business, Zhenjiang CIMC Smart Specialty Vehicle Co., Ltd., still has some traditional plants and production lines, and there is much room for optimization and upgrading. With the development of the Company's business and the upgrading of the overall technical level of the industry, the Company's demand for improved manufacturing capacity is gradually rising, so as to make it match with the development strategy of "endeavoring to build a green manufacturing plant" and "continuously promoting the integration of refrigerated trucks and full life cycle system solutions". Therefore, the Company needs to update and iterate the existing production lines and processes, and improve and optimize the existing factory system.

Through the construction of the final assembly line for dry compartment products, K2 compartment line and KB complete vehicle yard, the Project will optimize the timing and logistics, expand production and increase efficiency, so as to help achieve the Company's strategic development goals.

## (2) *Project feasibility*

- ① Professional R&D team and rich construction experience providing technical support for project implementation

The Company is the world's leading semi-trailer manufacturing and sales company. For many years, it has focused on the research and development of product modularization technology, advanced compartment technology and intelligent interconnection technology. At present, it has integrated the core technical resources of CIMC Vehicles vans and built a first-class technical knowledge base, in which both the design structure and modules have been verified in market practice. In addition, the Company has formed a whole process of digital management in the course

of operation, and carried out fine production control starting from the details. At the same time, since the Company began to explore and successfully implement the “Light Tower” plants plan in 2014, it has completed the upgrading of 14 “Light Tower” plants in China and 9 overseas, accumulated rich experience in plants construction, and equipped with a first-class technical team. Relying on the Group’s R&D strength and rich factory construction experience, TB Business Group has set up core R&D teams in terms of its compartment business in Jiangmen and Zhenjiang, and initially built sophisticated manufacturing plants; and the above professional R&D teams and their rich construction experience can provide good technical support for the implementation of this Project.

- ② The Company’s quality and stable customer resources and good brand reputation are conducive to the digestion of new production capacity

After years of development, the Company has now become the world’s No. 1 semi-trailer manufacturer, and the product brand has a strong influence in China. Through preliminary operation exploration, “TB Business Group” has established long-term and stable strategic partnerships with major automobile manufacturers and refrigerator factories, and has established stable cooperative relations with major quality logistics brands and food brands. It has also explored differentiated services customized according to manufacturers’ standards, flexible and diverse delivery solutions with in-plant final assembly and six large off-site assemblies. TB Business Group adheres to the strategic goal of “continuously promoting the integration of refrigerated trucks and full life cycle system solutions”, and relies on the strength and reputation of CIMC Vehicles to create quality and stable customer resources and a good brand reputation, which is conducive to the digestion of new production capacity after the implementation of this Project.

### ***3. Project economic effectiveness analysis***

The normal annual operating income of this Project is RMB152.50 million (excluding tax), the total annual profit is RMB5.7101 million, the internal rate of return of project investment is 12.44% (after income tax), the financial net present value is greater than zero, and the payback period is 9.95 years (after income tax, including the construction period of 2 years).

#### **(IV) Risks faced by the implementation of the above-mentioned newly raised funds investment projects and countermeasures**

##### **1. *Policy and regulatory risks***

At present, the Company is in the industry of special-purpose vehicle manufacturing, and with its business development supported and encouraged by policies, the degree of marketization continues to improve, the scope and connotation of the industry continue to extend, the industrial chain continues to extend, the service model innovation continues to emerge, and the market scale continues to expand. However, it cannot be ruled out that the policy restrictions caused by certain major sudden headwinds will lead to a slowdown in demand from the entire customer base. In the future, if the competent departments of the Chinese government issue new policies and regulations and revise existing policies and regulations, or issue implementation rules for industry access, operation supervision, qualification management, etc., changes in these regulatory policies may bring adverse effects to industry participants such as access restrictions, increased operating costs, and the need to apply for new operating qualifications, as well as industry regulatory risks caused by industry policy management regulations not fully and clearly covering all businesses.

The Company shall carry out product research and development and registration application in strict accordance with industry regulations and regulatory systems, keep abreast of relevant national industrial policies and other policy information, further strengthen policy research capabilities, strengthen the understanding and prediction of policies, and reduce the impact of changes in relevant policies on the Company. At the same time, the Company shall make full use of the favorable conditions of the policy to accelerate the development of enterprises.

##### **2. *Corporate manages risks***

After years of development, the Company has established a relatively complete internal control and management system, formed a standardized corporate governance structure and governance rules, established a scientific decision-making mechanism, execution mechanism and supervision mechanism, cultivated a team of experienced and professional management talents, and improved management efficiency. After the implementation of this project, the Company's asset scale and operation and management scale have been further expanded, the management system and organizational structure have become more complex, and it has faced many challenges such as the adjustment and improvement of management mode and internal control system, the absorption and training of high-end talents, continuous business and technology innovation and market exploitation. If the Company's management capacity building in all aspects cannot be followed up and adjusted and improved in a timely manner, it will adversely affect the Company's future operation and development.

In order to cope with the challenges that may be brought by the expansion of the Company's capital scale and operation scale, the Company will conduct further in-depth research, improve, perfect and innovate the management mode and incentive mechanism suitable for its development, gradually strengthen the process and systematic management, step up the training of the existing management team,

and guide managers to combine practical management experience with advanced management theory, so as to reduce management risks. At the same time, the Company will strengthen the construction of human resources, optimize the salary incentive mechanism, and ensure the stability of the Company's core technology and management personnel. In addition, the Company will actively follow the market and industry development trends, innovate the management system, improve the comprehensive management level, and enhance the ability of business development, so as to fully ensure the sustainability of the Company's management and operation.

### **3. *Risks of technological change***

The Company has many technical achievements in the production and manufacturing of specialty vehicles, and the relevant core technologies are at the advanced level of the industry, which constitutes the driving force for the continuous expansion of the Company's subsequent business. The Company signed a Confidentiality Agreement with core researchers to strengthen the confidentiality of core technologies, and attract and retain core researchers through corporate culture and incentive mechanisms. However, the above measures do not completely protect technology from leakage or core researchers from outflow, and if there is a leakage of technology or an outflow of core researchers, it will have a certain impact on the Company's technical advantages.

In view of the risk of technological change: First, the Company follows the pace of updating special automobile products, constantly masters new technologies and can comprehensively research and apply those new technologies, continues to invest funds, manpower and material resources, and timely and accurately grasps the development and changes of new technologies and market demand; Second, the Company will further strengthen the management and education of technical researchers through incentive mechanisms such as salary and post promotion, as well as strengthen the management of core confidential technologies, so as to reduce technology leakage caused by technical leakage and technical employee mobility.

### **4. *Risk that certain implementers have not yet obtained the government filing or the environmental impact assessment approval for their investment projects***

The administrative approval, authorization, and filing procedures in respect of the newly added A Share Proceeds-funded Projects mainly include investment filing and environmental impact assessment. As of the date of this announcement, the implementers of these projects have completed the investment filing procedure except the Xi'an Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project, which is a sub-project of the Star-chained Semi-trailer Sophisticated Manufacturing Line Upgrade Project. Certain implementers are going through the environmental impact assessment procedure, but there is no significant uncertainty regarding the approval procedure, and there is no substantial obstacles to the proposed changes of certain A Share Proceeds-funded Projects.

## **5. R&D and innovation risks**

The global semi-trailer and specialty vehicle industry is undergoing industrial upgrading, and the degree of new energy, digitalization, automation and intelligence is gradually deepening, which puts forward higher requirements for the scientific and technological innovation ability and model innovation of semi-trailer and specialty vehicle manufacturing enterprises. If the products developed by the Company are not well received by the market, or the Company fails to develop and manufacture competitive products based on market demand and industry standards, the Company may face the risk of failure in new product R&D, which may negatively affect the overall development of the Company.

In order to maintain market leading edge, enhance technical strength and core competitiveness, the Company continues to carry out new technology innovation and new product R&D, improve product performance, and enrich product functions, so as to meet the diversified needs of customers. The Company has always attached great importance to the driving role of technology research and development in its business development. To continuously improve its independent innovation ability and achieve innovation-driven development, the Company has formulated relevant systems that can maintain continuous innovation ability, and continues to reserve and cultivate sophisticated talents according to the needs of strategic development.

## **V. EXPLANATION ON RELATED PARTY (CONNECTED) TRANSACTIONS**

### **(I) Overview of related party (connected) transaction**

Wuhu CIMC Ruijiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司), a non-wholly owned subsidiary of the Company, is the implementer of the Wuhu Champion Tanker Sophisticated Manufacturing Line Upgrade Project, a newly added sub-project of “Champion Tanker Sophisticated Manufacturing Line Upgrade Project”, and the implementation method for this sub-project is capital increase to Wuhu CIMC Ruijiang Automobile Co., Ltd.

The minority shareholders of Wuhu CIMC Ruijiang Automobile Co., Ltd., namely Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) and Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥)), have issued a Letter of Undertaking, undertaking that they will increase the capital in the same proportion as their shareholdings.

### ***Implications of Hong Kong Listing Rules***

Wuhu CIMC Ruijiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司) is owned by the Company, Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) and Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥)) as 72.26%, 25.91% and 1.83% respectively. Pursuant to Chapter 14A of the Hong Kong Listing Rules, as Mr. Wang Zhujiang, senior vice president of the Company, is a Director of a material subsidiary, Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) of the Company and holds 99.52% of the shares of Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司), both Mr. Wang Zhujiang and Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) are connected persons of the Company and the conclusion of the Capital Increase Agreement constitutes a connected transaction of the Company.

Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) and Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥)) have issued a Letter of Undertaking, undertaking that they will increase the capital to Wuhu CIMC Rui Jiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司) in the same proportion as their shareholdings. Therefore, the Company, Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) and Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥)) made equity capital increase to Wuhu CIMC RuiJiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司) in the same proportion, and were exempted from the requirements of declaration, announcement and independent shareholder approval according to Rule 14A.92(1) of the Hong Kong Listing Rules.

### ***Implications of Listing Rules on the Shenzhen Stock Exchange***

As Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) is controlled by Mr. Wang Zhujiang, a senior vice president of the Company and a director of Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司), Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司) should be regarded as a related party of the Company in accordance with relevant provisions of the rules governing the listing of shares on the ChiNext Market of Shenzhen Stock Exchange. The capital increase mentioned above constitutes a related party transaction, with a transaction amount of RMB22.30 million.

## **(II) Impact of related party (/connected) transaction on the Company**

The Company and Wuhu Ruijiang Investment Co. (蕪湖瑞江投資有限公司), Ltd. will jointly increase capital to Wuhu CIMC RuiJiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司), the implementer of the sub-project of the Champion Tanker Sophisticated Manufacturing Line Upgrade Project (one of the A Share Proceeds-funded Projects), i.e. Wuhu Champion Tanker Sophisticated Manufacturing Line Upgrade Project, which is conducive to the successful implementation of this A share proceeds-funded project and will not damage the interests of the Company or its Shareholders.

## **VI. OPENING OF SPECIAL ACCOUNTS FOR RAISING FUNDS AND SIGNING OF SUPERVISION AGREEMENTS**

The Board authorizes the Chief Executive Officer and President of the Company, and his authorized persons to handle the matters in relation to the termination and changes of A Share Proceeds-funded Projects, including but not limited to the cancellation and opening of the special bank account for the Proceeds, and the signing of related agreements and other documents.

## **VII. IMPACT OF TERMINATION AND CHANGES OF THE AFORESAID PROJECTS ON THE COMPANY**

As China's economy enters a new development stage, the Company embarked on its Third Venture in 2023. It adopts new development concept and aims to build a new development pattern. Taking advantage of the "unified national market" policy and against the backdrop of enabling a smooth domestic circulation, CIMC seizes the golden opportunity for industry reform, deepens the supply-side structural reform, breaks through supply constraints, connects the various links of production, circulation, distribution, and consumption, and relies on innovation to drive high-quality growth, execute the strategy of short-term sales breakthroughs and long-term sustainable growth, and promote high-quality development. The Company's termination and change of part of the A Share Proceeds-funded Projects is a decision made in combination with the market environment and the actual development of the Company, which is in line with the Company's strategic development, conducive to improving the service efficiency of the A Share Proceeds, in line with the Company's future development needs, and does not harm the interests of the Company and all shareholders.

## **VIII. DELIBERATION PROCEDURES FOR IMPLEMENTATION**

### **1. Deliberation by the Board**

On 23 August 2023, the Company held the seventh meeting of the Second Session of the Board in 2023, and deliberated and passed the "Resolution on Terminating and Changing the Part of the A Share Proceeds-funded Projects". The Board agreed the Company to terminate and change certain A Share Proceeds-funded Projects in line with the actual situation of the A Share Proceeds-funded Projects, and open a special account to deposit the Proceeds for the new A Share Proceeds-funded Projects, and agreed to authorize the Chief Executive Officer and President of the Company, and his authorized persons to handle the matters in relation to the termination and changes of A Share Proceeds-funded Projects, including but not limited to the cancellation and opening of the special bank account for the Proceeds, and the signing of related agreements and other documents. The "Resolution on Terminating and Changing Part of the A Share Proceeds-funded Projects" has yet to be submitted to the Company's general meeting for deliberation.

## **2. Deliberation by the Supervisory Committee**

On 23 August 2023, the Company held the sixth meeting of the Second Session of the Supervisory Committee in 2023, and deliberated and passed the “Resolution on Terminating and Changing Part of the A Share Proceeds-funded Projects”. The Supervisory Committee believes that the Company’s termination and change of part of the A Share Proceeds-funded Projects is a reasonable decision made in combination with the market environment and the actual development of the Company, which meets the needs of the Company’s strategic development, conducive to improving the service efficiency of the proceeds and promotes the sustainable and stable development of the Company’s business. This matter has fulfilled the corresponding approval procedures and complies with the relevant provisions of the Guidelines for the Supervision of Listed Companies No. 2 – Supervisory Requirements for the Management and Use of Funds Raised by Listed Companies, the Self-regulatory Guidelines for Listed Companies No. 2 of Shenzhen Stock Exchange – Standardized Operation of Listed Companies on the ChiNext Market, the Listing Rules of GEM of Shenzhen Stock Exchange, and the Company’s Proceeds Management System. There is no prejudice to the interests of the Company and its shareholders. Therefore, the Supervisory Board agreed to this resolution and agreed to submit it to the general meeting of the Company for deliberation.

## **3. Opinions of independent non-executive Directors**

After reviewing the relevant information provided by the Company, the independent non-executive Directors believe that the Company’s termination and change of part of the A Share Proceeds-funded Projects is a reasonable decision made based on the market environment and the actual development of the Company, which meets the needs of the Company’s strategic development, conducive to the sustainable and stable development of the Company’s business and improving the service efficiency of the proceeds, and does not harm the interests of the Company’s shareholders, especially minority shareholders. This matter has fulfilled the corresponding approval procedures and complies with the relevant provisions of the Guidelines for the Supervision of Listed Companies No. 2 – Supervisory Requirements for the Management and Use of Funds Raised by Listed Companies, the Self-regulatory Guidelines for Listed Companies No. 2 of Shenzhen Stock Exchange – Standardized Operation of Listed Companies on the ChiNext Market, the Listing Rules of GEM of Shenzhen Stock Exchange, and the Company’s Proceeds Management System. Therefore, the independent non-executive Directors unanimously agreed to this resolution and agreed to submit it to the general meeting of the Company for deliberation.

## **4. Sponsors’ verification opinions**

After verification, the Sponsor believes that the termination and change of certain A Share Proceeds-funded Projects have been considered and approved by the Board of Directors and the Supervisory Committee. The independent non-executive Directors have expressed their explicit agreement on this matter and will submit it to the general meeting for consideration. The change of the Company’s A Share Proceeds-funded Projects is an arrangement made by the Company according to the objective demand for the implementation of Proceeds-funded Projects, which does not harm the interests of shareholders, and complies with the relevant regulations such as the Guidelines for the Supervision of Listed Companies No. 2 – Supervisory Requirements for the Management and Use of Funds Raised by Listed Companies (Revised in 2022), the Self-regulatory Guidelines for Listed Companies of Shenzhen Stock Exchange No. 13 – Sponsorship Business, the Listing Rules of GEM of Shenzhen Stock Exchange, the Self-regulatory Guidelines for Listed Companies of Shenzhen Stock Exchange No. 2 – Standardized Operation of Listed Companies on the ChiNext Market and the Company’s fund-raising system. The Sponsor has no objection to the termination and change of Certain A Share Proceeds-funded Projects, which is subject to the consideration and approval of the general meeting of the Company before implementation.

## IX. DOCUMENTS FOR REFERENCE

1. Resolutions on the seventh meeting of the Second Session of the Board of Directors in 2023;
2. Resolutions on the sixth meeting of the Second Session of the Supervisory Committee in 2023;
3. Independent non-executive Directors' independent opinions on matters related to the seventh meeting of the Second Session of the Board of Directors in 2023; and
4. "Verification Opinions of Haitong Securities Co., Ltd. on the Termination and Change of Part of the A Share Proceeds-funded Projects by CIMC Vehicles (Group) Co., Ltd." issued by Haitong Securities Co., Ltd.

The Resolution on Termination and Changes of Certain A Share Proceeds-funded Projects shall be subject to the approval of the general meeting of the Company. The Company intends to convene a general meeting to, among other things, seek Shareholders' approval of the Resolution on Termination and Changes of Certain A Share Proceeds-funded Projects. A poll will be taken at the general meeting.

The Company will dispatch to the Shareholders as soon as practicable a notice convening the general meeting and a circular containing, among other things, details of the Resolution on Termination and Changes of Certain A Share Proceeds-funded Projects.

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

Hong Kong, 23 August 2023

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

\* *Executive Director*

\*\* *Non-executive Directors*

\*\*\* *Independent non-executive Directors*