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

Global Offering

Sole Sponsor

海通國際 HAITONG

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

ICBC 工银国际

NOMURA

Financial Advisor

招銀国际 CMB INTERNATIONAL

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**265,000,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**26,500,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**238,500,000 H Shares (including 16,666,000 Reserved Shares under the Preferential Offering) (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$8.08 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**1839**

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A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Appendix VIII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, July 3, 2019 (Hong Kong time) and, in any event, not later than Wednesday, July 10, 2019. The Offer Price will be not more than HK$8.08 and is currently expected to be not less than HK$6.38 per Offer Share. If, for any reason, the Offer Price is not agreed by Wednesday, July 10, 2019 (Hong Kong time) between the Sole Representative (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$8.08 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as to be finally determined is less than HK$8.08.

The Sole Representative, for itself and on behalf of the Underwriters, with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on our website at www.cimcvehiclesgroup.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

We are incorporated, and the majority of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in "Risk Factors", "Appendix V–Summary of Articles of Association" and "Appendix VI–Summary of Principal Legal and Regulatory Provisions" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting–Underwriting Arrangements and Expenses–Hong Kong Public Offering–Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in an offshore transaction pursuant to Regulation S under the U.S. Securities Act.

June 27, 2019

If there is any change in the following expected timetable of the Hong Kong Public Offering and the Preferential Offering, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), and in the Hong Kong Economic Times (in Chinese).

Dispatch of **BLUE** Application Forms to Qualifying CIMC Shareholders on or before	Thursday, June 27, 2019
Hong Kong Public Offering and Preferential Offering commence and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Thursday, June 27, 2019
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, July 3, 2019
Application lists open[3]	11:45 a.m. on Wednesday, July 3, 2019
Latest time for (a) lodging **WHITE**, **YELLOW** and **BLUE** Application Forms, (b) giving electronic application instructions to HKSCC[4] and (c) completing payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, July 3, 2019
Application lists close[3]	12:00 noon on Wednesday, July 3, 2019
Expected Price Determination Date[5]	Wednesday, July 3, 2019

(1) Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering and the Preferential Offering; and
- the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares

to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) on or before	Wednesday, July 10, 2019

(2) Results of allocations in the Hong Kong Public Offering and the Preferential Offering to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares and Reserved Shares–E. Publication of Results" in this prospectus) from. . . . . .Wednesday, July 10, 2019

(3) A full announcement containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.cimcvehiclesgroup.com** from. . . . . .Wednesday, July 10, 2019

Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from. . . . . .Wednesday, July 10, 2019

Dispatch of H Share certificates[6] and White Form e-Refund payment instructions/refund checks (if applicable) on or before . . . . .Wednesday, July 10, 2019

Dealings in H Shares on the Stock Exchange to commence on . . . . . . .Thursday, July 11, 2019

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(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal of number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 3, 2019, the application lists will not open or close on that day. Further information is set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares – D. Effect of Bad Weather on the Opening and Closing of the Applications Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares – A. Applications for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Wednesday, July 3, 2019, and in any event, not later than Wednesday, July 10, 2019. If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters), and us on or before Wednesday, July 10, 2019, the Global Offering will not proceed and will lapse.

(6) H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus, respectively.

The **BLUE** Application Forms and this prospectus have been dispatched to all Qualifying CIMC Shareholders according to their address as shown in the register of members of CIMC on the Record Date.

Qualifying CIMC Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of the Joint Global Coordinators as set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying CIMC Shareholders as specified in this prospectus.

This prospectus is issued by us solely in connection with the Hong Kong Public Offering, the Preferential Offering, the Hong Kong Offer Shares and the Reserved Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares and the Reserved Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering and the Preferential Offering are made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leader in the global semi-trailer industry with well-recognized brands in the principal markets where we operate. We began to manufacture and sell semi-trailers in 2002. According to Frost & Sullivan, we have been the world's largest semi-trailer manufacturer for five consecutive years since 2013, with a 10.3% market share in 2017 by sales volume of semi-trailers. In China, we ranked first in the semi-trailer industry by sales volume of semi-trailers, with a market share of 15.7% in 2017; and in North America, our principal overseas market, we ranked among the top five semi-trailer manufacturers in 2017 in terms of sales volume of semi-trailers, according to Frost & Sullivan.

We primarily engage in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles. Our semi-trailers mainly include five product lines, comprising chassis and flatbed trailers, fence trailers, tank trailers, refrigerated trailers and van trailers. In 2017, we launched our center-axle car carriers in China. Our truck body products include dump beds for dump trucks, mixers for mixer trucks and a wide range of other truck bodies for specialty vehicles.

We market and sell an extensive range of semi-trailers and truck bodies in China, North America, Europe and other regions, covering over 40 countries. We market and sell our products in China under the "CIMC (中集)," "CIMC Tonghua (中集通華)," "CIMC Huajun (中集華駿)," "Ruijiang Vehicles (瑞江汽車)," "Dongyue Vehicles (東岳車輛)" and "Lingyu Vehicles (凌宇汽車)" brands, and outside China under the "CIMC," "Vanguard," "SDC" and "LAG" brands, which are among the most recognized names in the global semi-trailer industry.

We possess strong research and development capabilities and advanced technologies for manufacturing semi-trailers. We focus on production facility improvement and product research and development to enhance production efficiency and improve product quality and capabilities. As a leading global manufacturer of semi-trailers, as of the Latest Practicable Date, we owned over 800 registered patents across multiple countries. We also played a leading role in setting 14 national and industry standards in China. Through our research and development efforts, we have been able to develop and launch new product lines, both independently and through cooperation with third parties. For example, in 2017, we launched the first generation of curtain-side trailers and center-axle car carriers in China.

We have demonstrated a track record of revenue and profit growth. In 2016, 2017 and 2018, our revenue was RMB14,555.6 million, RMB19,367.0 million and RMB24,168.2 million, respectively, and our profit for the year was RMB752.8 million, RMB1,011.5 million and RMB1,232.0 million, respectively, representing a CAGR of 27.9% during the Track Record Period.

OUR PRODUCTS

We principally engage in the manufacture and sale of semi-trailers and truck bodies. A typical semi-trailer we produce is mainly used to transport goods and materials, and is an unpowered trailer without a front axle and towed by a powered vehicle, commonly known as a tractor unit. Our major semi-trailer product lines comprise:

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

In 2017, we launched our center-axle car carriers in China. A center-axle car carrier is designed to transport passenger cars.

In addition, we manufacture and sell truck bodies for specialty vehicles in China. Our major truck body products are dump beds for dump trucks and mixers for mixer trucks. Generally, for a specialty vehicle, the truck body can be easily installed onto, or detached from, the truck chassis. We do not manufacture truck chassis, which provide motive power for a specialty vehicle and can be driven as a standalone vehicle. However, in line with industry practice in China, we typically sell our dump beds and a small proportion of our mixers as a standalone product, and install them onto the truck chassis provided by our customers, who are mostly truck manufacturers or their dealers, at our manufacturing plants. Typically, in the case of our mixers, we purchase the truck chassis requested by our customers and install the mixers onto such truck chassis to form fully-assembled mixer trucks, which we then sell to these customers.

We also sell certain parts and components purchased from third-party manufacturers, such as axles, tires, lights and braking systems and, to a lesser extent, parts and components manufactured by us, mainly shafts.

OUR BRANDS

We offer a comprehensive brand and product portfolio in China, North America, Europe and other regions. To meet the diverse customer needs in the global market, we have successfully maintained a multi-brand strategy with a wide range of semi-trailers and truck bodies. Our brands are well recognized in the principal markets where we operate.

China

In China, we principally engage in the manufacture and sale of semi-trailers and truck bodies under the "CIMC," "CIMC Tonghua," "CIMC Huajun," "Ruijiang Vehicles," "Dongyue Vehicles" and "Lingyu Vehicles" brands. Our main products in China include chassis and flatbed trailers, fence trailers, tank trailers, van trailers and center-axle car carriers as well as dump beds and mixers.

North America

In North America, we principally engage in the manufacture, assembly, marketing and sale of semi-trailers under the "Vanguard" and "CIMC" brands. Our main products in North America include chassis trailers, dry van trailers and refrigerated trailers.

Europe

In Europe, we primarily sell our products to the UK, Belgium, the Netherlands, Poland, Germany, Denmark, France, Greece and Russia and engage in the manufacture, marketing and sale of semi-trailers under the "LAG" and "SDC" brands. Our products in the European market mainly comprise curtain-side trailers, chassis and flatbed trailers, and tank trailers.

Other Regions

We also export our products, mainly chassis and flatbed trailers, tank trailers, van trailers and refrigerated trailers, to approximately 40 other countries, principally Algeria, Australia, Indonesia, Japan, Malaysia, Saudi Arabia, South Africa, Thailand and Vietnam.

The following table sets forth the sales details of our products by market for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
Market Type	**Sales Volume**	**Average Price**	**Sales Volume**	**Average Price**	**Sales Volume**	**Average Price**
	(Units)	**(RMB/Unit)**	**(Units)**	**(RMB/Unit)**	**(Units)**	**(RMB/Unit)**
China	**72,222**	**77,534.3**	**99,071**	**82,245.9**	**110,654**	**89,692.9**
Semi-trailers						
Chassis and Flatbed Trailers	24,525	59,633.4	27,973	64,670.1	22,471	69,257.3
Fence Trailers	13,891	62,661.0	17,808	72,804.0	10,830	78,803.3
Tank Trailers	11,531	140,765.8	13,047	135,298.8	12,931	134,717.7
Van Trailers	1,439	74,759.6	1,368	98,117.0	1,297	108,887.6
Others(1)	2,560	108,153.9	5,250	88,657.5	3,719	97,189.0
Center-axle Car Carriers	–	–	98	94,085.9	12,061	99,300.5
Truck bodies						
Dump Beds	10,174	52,791.4	19,824	62,308.3	25,519	69,630.1
Mixers	4,000	98,575.0	9,302	101,935.1	16,846	107,139.1
Others(2)	4,102	79,896.5	4,401	110,241.2	4,980	98,601.2
North America	**36,730**	**110,239.6**	**41,402**	**102,270.4**	**62,276**	**98,492.8**
Chassis Trailers	23,332	68,618.2	29,330	66,573.5	47,246	71,735.6
Dry Van Trailers	10,582	161,500.7	9,466	163,796.7	11,722	159,149.9
Refrigerated Trailers	2,816	262,484.5	2,606	280,544.9	3,308	265,706.7
Europe	**6,107**	**191,992.8**	**11,055**	**163,473.5**	**10,830**	**184,493.6**
Curtain-side Trailers	1,667	178,755.2	3,522	171,558.2	3,074	185,133.7
Chassis and Flatbed Trailers	2,211	143,665.8	4,268	135,942.1	4,593	144,838.3
Tank Trailers	638	493,261.8	595	488,658.8	597	537,428.4
Others(3)	1,591	152,220.2	2,670	124,338.2	2,566	172,592.4
Other Regions	**7,368**	N/A	**10,293**	N/A	**8,379**	N/A
Semi-trailers	4,425	N/A	6,503	N/A	6,041	N/A
Others	2,943	N/A	3,790	N/A	2,338	N/A
Total	**122,427**		**161,821**		**192,139**	

(1) Mainly comprise low flatbed trailers and car carrier semi-trailers.

(2) Mainly comprise truck bodies for sanitation trucks and refrigerated vans.

(3) Mainly comprise bulk containers and swap bodies.

In 2016, 2017 and 2018, our sales volume of semi-trailers in China was 53,946 units, 65,446 units and 51,248 units, respectively, and our sales volume of semi-trailers in the overseas markets was 45,671 units, 56,290 units and 76,581 units, respectively.

We generate our revenue principally from the sales of vehicles, mainly comprising semi-trailers and truck bodies. The following table sets forth our revenue breakdown by business segment and nature, expressed as an absolute amount and as a percentage of our total revenue, for the years indicated:

	Year ended December 31,								
	2016			2017			2018		
	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin
	(RMB in millions, except percentages)								
China	**7,486.5**	**1,043.8**	**13.9%**	**10,907.3**	**1,483.8**	**13.6%**	**13,906.4**	**1,710.2**	**12.3%**
Sales of vehicles	6,910.2	798.8	11.6	10,075.6	1,209.9	12.0	12,996.1	1,342.2	10.3
Sales of parts and components	383.4	113.6	29.6	635.7	176.7	27.8	671.6	200.3	29.8
Others	192.9	131.3	68.1	196.1	97.3	49.6	238.7	167.6	70.2
North America	**4,483.6**	**821.3**	**18.3**	**4,693.4**	**891.8**	**19.0**	**6,635.4**	**980.9**	**14.8**
Sales of vehicles	4,049.1	781.0	19.3	4,234.2	853.8	20.2	6,133.7	936.5	15.3
Sales of parts and components	434.5	40.2	9.3	459.2	38.0	8.3	501.7	44.4	8.8
Europe	**1,409.7**	**204.5**	**14.5**	**2,225.7**	**287.7**	**12.9**	**2,435.1**	**302.9**	**12.4**
Sales of vehicles	1,172.5	136.6	11.7	1,807.2	159.5	8.8	1,998.0	201.6	10.1
Sales of parts and components	136.8	42.3	30.9	269.7	92.0	34.1	301.3	71.7	23.8
Others	100.3	25.7	25.6	148.8	36.1	24.3	135.9	29.6	21.8
Other Regions	**1,175.8**	**136.1**	**11.6**	**1,540.5**	**185.0**	**12.0**	**1,191.2**	**165.3**	**13.9**
Sales of vehicles	1,140.6	133.2	11.7	1,511.9	179.0	11.8	1,167.7	156.9	13.4
Sales of parts and components	15.8	3.0	19.0	17.0	2.9	17.1	13.6	2.7	20.0
Others	19.3	(0.3)	(1.6)	11.6	3.1	26.7	9.9	5.7	58.0
Total	**14,555.6**	**2,205.7**	**15.2%**	**19,367.0**	**2,848.3**	**14.7%**	**24,168.2**	**3,159.3**	**13.1%**

Our gross margin decreased from 14.7% in 2017 to 13.1% in 2018, principally as a result of our limited ability to fully pass on the impact of the increased raw material costs to our customers and our increased sales volume of vehicles with lower gross margins, such as truck chassis.

In China, our gross margin decreased from 13.6% in 2017 to 12.3% in 2018, primarily due to (i) our increased sales volume of truck chassis which have lower gross margins and (ii) our limited ability to fully pass on the impact of the increased raw material costs to our customers partly due to market competition.

In North America, our gross margin decreased from 19.0% in 2017 to 14.8% in 2018, due to the overall decrease in the gross margin of our products sold in North America which was principally attributable to (i) the appreciation of the Renminbi against the US dollar as our revenue from the US was denominated in US dollars while costs of certain raw materials used for goods sold in the US were denominated in Renminbi, (ii) the increased market prices of steel and aluminum procured in the US and (iii) the imposition of a 10% tariff on certain Chinese imports to the US, including semi-trailers manufactured in China, by the US administration in September 2018.

In Europe, our gross margin decreased from 12.9% in 2017 to 12.4% in 2018, primarily due to the increased raw material costs which we were not able to fully pass on to our customers, partly due to market competition. Our gross margin decreased from 14.5% in 2016 to 12.9% in 2017, primarily due to changes in our product mix and the resulting increase in sales of chassis and flatbed trailers which have lower gross margins than other products sold in Europe, following our acquisition and consolidation of SDC Trailers in the second half of 2016.

In other regions, our gross margin increased from 12.0% in 2017 to 13.9% in 2018, primarily due to the fluctuations in exchange rates between Renminbi and certain foreign currencies.

PRODUCTION FACILITIES AND CAPACITY

As of the Latest Practicable Date, we had the following 22 manufacturing plants located across China, the US, the UK and Belgium with a combined designed annual production capacity of over 165,000 units:

Location	Number of Plants	Main Products	Designed Annual Production Capacity
			(Units)
China	18	Semi-trailers, truck bodies and center-axle car carriers	145,500
US	2	Dry van trailers	9,000
UK	1	Curtain-side trailers, and chassis and flatbed trailers	10,200
Belgium . . .	1	Tank trailers	2,500
Total	**22**		**167,200**

In addition, as of Latest Practicable Date, we had nine assembly plants located across the US, Poland, Thailand, South Africa and Australia, whose main products comprise chassis and flatbed trailers, refrigerated trailers, curtain-side trailers, tank trailers, dump beds and swap bodies. Depending on our production capacity, delivery schedule and local market demand, our nine assembly plants are generally able to assemble between 26,000 units and 33,000 units per year.

CUSTOMERS, SALES AND MARKETING

We sell our semi-trailers globally, and truck bodies and center-axle car carriers primarily in China. In 2016, 2017 and 2018, revenue from China accounted for 51.4%, 56.3% and 57.5% of our total revenue, respectively. In the same years, revenue generated from overseas markets, including North America, Europe and approximately 40 other countries, accounted for 48.6%, 43.7% and 42.5% of our total revenue, respectively. In 2016, 2017 and 2018, sales to our largest customer accounted for approximately 2.2%, 4.0% and 5.2%, respectively, of our total revenue, and our five largest customers accounted for approximately 10.1%, 11.0% and 11.7%, respectively, of our total revenue.

Our extensive sales network mainly comprises (i) our in-house sales employees, and (ii) third-party distributors. We have over 300 distributors widely dispersed throughout 31 provinces in China, North America, Europe and other regions around the world. Our non-distributor customers for semi-trailers mainly comprise logistics companies, trailer rental companies and truck dealers. Our non-distributor customers for truck bodies mainly comprise truck manufacturers, truck dealers, construction companies and logistics companies. Most of our distributor customers are truck dealers which are generally specialized in selling tractor units, truck chassis and specialty vehicles. In 2016, 2017 and 2018, 78.6%, 77.4% and 75.2%, respectively, of our total revenue was generated from direct sales, while the remaining 21.4%, 22.6% and 24.8%, respectively, of our total revenue was generated from sales to distributors.

SUPPLIERS AND PROCUREMENT

Our suppliers principally comprise steel and aluminum producers and manufacturers of parts and components, such as truck chassis, tires, rims, axles, suspension and braking systems. Almost all of our procurement for our PRC production is carried out in China. Certain of our overseas operations, such as manufacturing of dry van trailers in North America and curtain-side trailers and tank trailers in Europe, mainly procure their raw materials, parts and components locally and utilize local manufacturing plants. We have also established long-term relationships with renowned trailer parts and components manufacturers and steel suppliers around the world, such as BPW and China Baowu Steel Group. We believe that such long-term relationships with our suppliers will benefit us in ensuring a stable supply of raw materials, parts and components at reasonable prices. As a percentage of our total revenue, in 2016, 2017 and 2018, our costs for raw materials and consumables used, adjusted for changes in inventories, accounted for 73.6%, 75.8% and 77.1%, respectively. In 2016, 2017 and 2018, our purchases from our five largest suppliers, in aggregate, accounted for 21.0%, 19.9% and 20.6%, respectively, of our total costs for raw materials and consumables used, adjusted for changes in inventories. In addition, purchases from our single largest supplier accounted for 6.5%, 6.2% and 6.8%, respectively, of our total costs for raw materials and consumables used, adjusted for changes in inventories in the same years.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

- Highly integrated and synergistic global operations and local knowledge;
- Outstanding manufacturing and research and development capabilities;
- Proven track record of successful worldwide acquisitions and investments;
- Comprehensive portfolio of brands and products targeting different regional markets and customers; and
- Experienced and visionary management team and solid corporate governance.

STRATEGIES

Our objective is to strengthen our leading position in the global semi-trailer market. To this end, we intend to implement the following key strategies:

- Strengthen our global operations with comprehensive local knowledge;
- Further digitalize our production process;
- Continue to develop new products and improve product features;
- Promote an agile organization adaptive to digitalized manufacturing and operation; and
- Capture emerging business opportunities with growth potential.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into (i) risks relating to our business, (ii) risks relating to the PRC, and (iii) risks relating to the Global Offering. Our business may be materially and adversely affected by these risks, including the following:

- Significant changes in general economic and market conditions as well as in the industry standards in the regions where we operate could materially adversely affect market demand for our products.

- We are subject to the risks associated with international trades.

- Our further success depends, in part, on our ability to expand our production capacity and to further improve our productivity and upgrade our production facilities, which is subject to risks and uncertainties.

- We may fail to implement and maintain effective quality control systems at our production facilities, due to which we may face potential product liability and warranty claims or suffer losses due to defective products.

- We may not be able to develop and introduce new products that meet changing market demand or gain general market acceptance in a timely manner, and our research and development may not always yield anticipated results.

- We rely on certain key raw materials, parts and components and utilities, such as steel, tires, rims and axles in our manufacturing process, and any failure or shortage in the supply of such key materials, parts and components and utilities may adversely affect our business.

- Increasing competition within the semi-trailer and truck body markets could have an adverse impact on our ability to maintain competitiveness.

- Our entry into new markets is subject to risks and restrictions.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, CIMC owned (directly, and indirectly through CIMC Hong Kong) approximately 63.33% of our total issued share capital. Immediately following completion of the Global Offering, CIMC will own (directly, and indirectly through CIMC Hong Kong) approximately 53.82% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 52.64% of our total issued share capital (assuming the Over-allotment Option is exercised in full). Both CIMC and CIMC Hong Kong are our Controlling Shareholders as of the Latest Practicable Date and will remain as our Controlling Shareholders upon the Listing. Our Directors are of the view that neither CIMC nor CIMC Hong Kong is interested in a business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date. See "Relationship with Controlling Shareholders."

PRE-IPO INVESTMENTS

As of the Latest Practicable Date, Shanghai Taifu, Taizhou Taifu, Xiangshan Huajin, Nanshan Dacheng, Longyuan Investment and Sumitomo Corporation, being the Pre-IPO Investors, held approximately 16.82%, 10.77%, 5.06%, 1.54%, 1.54% and 0.93% of our issued share capital. Immediately following the completion of the Global Offering, Shanghai Taifu, Taizhou Taifu, Xiangshan Huajin, Nanshan Dacheng, Longyuan Investment and Sumitomo Corporation will hold 14.30%, 9.16%, 4.30%, 1.31%, 1.31% and 0.79% of our total issued share capital (assuming the Over-allotment Option is not exercised), respectively, or approximately 13.98%, 8.95%, 4.20%, 1.28%, 1.28% and 0.77% of our total issued share capital (assuming the Over-allotment Option is exercised in full), respectively. All the special rights granted shall lapse or be terminated upon Listing, and our Shares held by the Pre-IPO Investors are subject to a lock-up period of 12 months after the date of Listing. See "History, Conversion and Corporate Structure—Pre-IPO Investments."

SUMMARY OF FINANCIAL INFORMATION

The following tables present our summary consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018. This summary has been derived from our consolidated financial information set forth in the Accountant's Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information."

Summary Consolidated Income Statements

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Revenue	14,555.6	19,367.0	24,168.2
Cost of sales	(12,349.9)	(16,518.7)	(21,008.9)
Gross profit	**2,205.7**	**2,848.3**	**3,159.3**
Selling and distribution expenses	(486.1)	(596.7)	(574.0)
Administrative expenses	(860.1)	(1,022.2)	(1,220.6)
Net impairment (losses)/gains on financial assets and financial guarantee contracts	(40.4)	11.6	16.3
Other income	123.6	133.5	158.0
Other gains/(losses) — net	99.8	(59.4)	82.5
Operating profit	**1,042.5**	**1,315.1**	**1,621.4**
Finance income	59.1	73.6	85.7
Finance costs	(82.7)	(114.3)	(160.1)
Share of net profits/(losses) of associates and a joint venture	4.2	(2.7)	5.8
Profit before income tax	**1,023.2**	**1,271.7**	**1,552.8**
Income tax expense	(270.4)	(260.2)	(320.8)
Profit for the year	**752.8**	**1,011.5**	**1,232.0**

Summary Consolidated Balance Sheets

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Non-current Assets	5,190.2	5,255.0	5,422.0
Current Assets	9,605.9	10,996.5	11,138.7
Total Assets	**14,796.1**	**16,251.5**	**16,560.6**
Non-current Liabilities	1,387.1	673.4	467.3
Current Liabilities	6,330.1	8,568.6	8,145.6
Total Liabilities	**7,717.2**	**9,242.1**	**8,612.9**
Total Equity	**7,078.9**	**7,009.4**	**7,947.7**
Net Current Assets	**3,275.8**	**2,427.9**	**2,993.0**

Summary Consolidated Statements of Cash Flows

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Net cash generated from operating activities	1,197.6	1,782.1	1,083.3
Net cash used in investing activities	(1,518.6)[1]	(438.0)	(10.3)
Net cash generated from/(used in) financing activities	1,057.7	(278.9)	(1,309.6)
Cash and cash equivalents at end of the year	**1,780.3**	**2,810.8**	**2,617.0**

(1) In 2016, we had net cash used in investing activities of RMB1,518.6 million, primarily attributable to (i) loans to related parties of RMB814.9 million, (ii) our payments for property, plant and equipment, intangible assets, investment properties and land use rights of RMB606.7 million to support our business expansion and (iii) our payment for the acquisition of a subsidiary, net of cash required, of RMB575.0 million, mainly relating to our acquisition of SDC Trailers.

Selected Financial Ratios

	As of or for the year ended December 31,		
	2016	2017	2018
Return on equity[1]	11.3%	14.4%	16.2%
Return on total assets[2]	5.5%	6.5%	7.5%
Current ratio[3]	1.5	1.3	1.4
Quick ratio[4]	1.0	0.9	0.9
Gearing ratio[5]	30.5%	35.0%	28.8%

(1) Equal to annual net profit attributable to owners of our Company divided by the average balance of our total equity attributable to owners of our Company for the beginning and the end of the year.

(2) Equal to annual net profit divided by the average balance of our total assets for the beginning and the end of the year.

(3) Equal to total current assets divided by total current liabilities.

(4) Equal to total current assets excluding inventories divided by total current liabilities.

(5) Equal to total debt divided by total equity multiplied by 100%.

PROPERTY VALUATION

Cushman & Wakefield, an independent property valuer, has valued our property at Plot 78/1, Jiefang No. 3, Baoshan Town, Baoshan District, Shanghai, the PRC as of April 30, 2019. See "Appendix III—Property Valuation Report" and "Financial Information—Property Interests" for a summary of the valuation and the valuation report.

GLOBAL OFFERING

The Global Offering comprises:

(i) the Hong Kong Public Offering of 26,500,000 Offer Shares (subject to adjustment) in Hong Kong as described in "Structure of the Global Offering—The Hong Kong Public Offering"; and

(ii) the International Offering of an aggregate of initially 238,500,000 Shares (including 16,666,000 Reserved Shares under the Preferential Offering) (subject to adjustment and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption under the U.S. Securities Act, and (b) outside the United States pursuant to Regulation S (including to professional and institutional investors in Hong Kong). Of the 238,500,000 Offer Shares initially being offered under the International Offering, 16,666,000 Offer Shares are available for subscription by the Qualifying CIMC Shareholders under the Preferential Offering as the Assured Entitlement.

The Offer Shares will represent approximately 15.01% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

RECENT DEVELOPMENTS

Since December 31, 2018, the global semi-trailer and truck body markets and our business have continued to grow. In the four months ended April 30, 2019, our revenue increased compared to the same period in 2018, primarily due to the continued growth of our sales of vehicles (i) in China, which was mainly attributable to our increased sales of mixers, truck chassis and dry bulk tank trailers due to the increased market demand for construction vehicles driven by active infrastructure development in China, and (ii) in North America, mainly as a result of increased market demand for dry van trailers, refrigerated trailers and chassis trailers. Our gross profit increased in the four months ended April 30, 2019 as compared to the same period in 2018, which was generally in line with the increase in our revenue. Our gross margin increased slightly in the four months ended April 30, 2019 as compared to the same period in 2018, mainly as our gross margin in the North American market increased due to the appreciation of the US dollar against the Renminbi, which was partially offset by the decreased gross margin in the PRC market, primarily due to our increased sales of truck chassis, which have relatively low gross margins, mainly attributable to our increased sales of mixers.

The PRC government promulgated policies in 2018 to encourage the railway transportation for bulk commodities, such as coal, coke and ores, in lieu of road transportation. China has seen, and may continue to experience, a shift to faster and more cost-efficient railway transportation, in particular for transporting coal, ores and other bulk commodities, which could have an adverse effect on the demand for our products, particularly fence trailers. In addition, in September 2018, the US administration imposed a 10% tariff on US$200 billion worth of Chinese imports into the US, including semi-trailers manufactured in China. On May 10, 2019, the US administration further raised the tariffs from 10% to 25% on these Chinese imports, which was effective immediately, with a limited extension for certain goods that were exported from China before May 10, 2019 and enter into the US before June 15, 2019. Under this circumstance, if we are unable to increase our local production capacity in the US, or raise sales prices for the US market to cover the cost of increased tariffs or if we do not want to risk losing sales by passing on the potential cost increase to our US customers, our sales volume and gross margin in North America may decrease, which, in turn, could adversely affect our results of operations. In particular, our net profit for the year in 2019 may decline as a result.

On March 31, 2019, our Shareholders approved our plan to declare a dividend of approximately RMB400.0 million from our consolidated retained earnings as of December 31, 2018 to our existing Shareholders. We paid such dividend with our own cash by June 17, 2019.

Our Directors confirm, after performing all of the due diligence that the Directors consider appropriate, that there has been no event which could materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this prospectus since December 31, 2018 (being the latest date of our audited consolidated financial statements) and up to the date of this prospectus, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 265,000,000 H Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 1,765,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$6.38	**Based on an Offer Price of HK$8.08**
Market capitalization[(1)]	HK$11,260.70 million	HK$14,261.20 million
Unaudited pro forma adjusted net tangible assets per share[(2)]	HK$5.37	HK$5.62

(1) The calculation of market capitalization is based on 1,765,000,000 H Shares expected to be issued and outstanding following the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information."

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,791.9 million, assuming an Offer Price of HK$7.23 per H Share (being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions, the maximum amount of incentive fee and discretionary bonus, and estimated expenses paid or payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised. We intend to apply the net proceeds from the Global Offering for the following purposes and in the amounts set forth below:

- approximately 70% of the net proceeds, or HK$1,254.3 million, to develop new manufacturing or assembly plants in the US and Europe;
- approximately 10% of the net proceeds, or HK$179.2 million, to research and develop new products;
- approximately 10% of the net proceeds, or HK$179.2 million, to repay certain bank borrowings; and
- approximately 10% of the net proceeds, or HK$179.2 million, for working capital and general corporate purposes.

DIVIDEND

In 2016, 2017 and 2018, we declared cash dividends of RMB198.1 million, RMB1,122.8 million and RMB289.3 million, respectively. In 2016, 2017 and 2018, we settled payments of dividends of RMB150.6 million, RMB449.0 million and RMB1,010.7 million (including the remaining dividend of RMB398.9 million which has been accounted for as a shareholder loan as of December 31, 2018 and settled in April 2019), respectively. We currently do not have a fixed dividend payout ratio, and we cannot assure you that dividends will be declared or paid in the future. For details of our dividend policy, see "Financial Information–Dividend."

LISTING CONDITION AND EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB109.3 million (assuming an Offer Price of HK$7.23 per Offer Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option is not exercised). In 2018, we recognized RMB17.5 million of listing expenses. Out of our remaining listing expenses, (i) approximately RMB12.3 million is expected to be expensed in 2019, and (ii) approximately RMB79.5 million (including approximately RMB16.9 million which was recognized as prepayments in our consolidated balance sheets as of December 31, 2018) is directly attributable to the issuance of H Shares and will be deducted from equity upon the Listing in 2019. Our Directors do not expect such expenses to materially impact our results of operations in 2019.

SPIN-OFF

Having considered, among other things, that our business has grown to a sufficient size that warrants a separate listing from CIMC on the Stock Exchange, CIMC submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. The Stock Exchange has confirmed that CIMC may proceed with the Spin-off as proposed. We will comply with the requirements under Practice Note 15 and the applicable requirements of the Listing Rules regarding the Spin-off. See "History, Conversion and Corporate Structure–Spin-off."

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set forth below. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) or **GREEN** Applications Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering and **BLUE** Application Form(s) in relation to the Preferential Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Assured Entitlement"	the entitlement of the Qualifying CIMC Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in CIMC on the Record Date
"Audit Committee"	the audit committee of our Company
"Authorized Representative(s)"	the authorized representative(s) of our Company
"Beneficial CIMC Shareholder(s)"	any beneficial owner(s) of CIMC H Shares whose CIMC H Shares are registered, as shown in the register of members of CIMC, in the name of a registered CIMC H Shareholder on the Record Date
"**BLUE** Application Form(s)"	the application form(s) to be sent to Qualifying CIMC Shareholders for the subscription of the Reserved Shares pursuant to the Preferential Offering
"Board" or "Board of Directors"	the board of Directors of our Company
"Board Committee(s)"	the Board committees of our Company, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy and Investment Committee
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Chi Xiao"	Chi Xiao Enterprise Co., Ltd. (赤曉企業有限公司), a limited liability company established in the PRC and our Substantial Shareholder
"CIE"	CIMC Intermodal Equipment LLC, a limited liability company incorporated in the United States, and our wholly owned subsidiary
"CIMC"	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 the PRC 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 promoter and the Controlling Shareholder of our Company
"CIMC Dongguan"	Dongguan CIMC Vehicle Co., Ltd. (東莞中集專用車有限公司), a limited liability company established in the PRC on July 21, 2014, and our wholly owned subsidiary

"CIMC Dongyue"	Liangshan CIMC Dongyue Vehicles Co., Ltd. (梁山中集東岳車輛有限公司), a limited liability company established in the PRC on October 16, 2007, and our non-wholly owned subsidiary
"CIMC Financial Institution"	CIMC Finance Co., Ltd. (中集集團財務有限公司), a limited liability company established in the PRC on February 9, 2010, a wholly owned subsidiary of CIMC
"CIMC Gansu"	Gansu CIMC Huajun Vehicles Co., Ltd. (甘肅中集華駿車輛有限公司), a limited liability company established in the PRC on June 6, 2006, and our wholly owned subsidiary
"CIMC Group"	CIMC and its subsidiaries, excluding our Group
"CIMC H Share(s)"	the overseas-listed foreign share(s) in the registered share capital of CIMC with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
"CIMC H Shareholder(s)"	holder(s) of CIMC H Shares
"CIMC Hong Kong" or "CIMC HK"	China International Marine Containers (Hong Kong) Limited (中國國際海運集裝箱(香港)有限公司), a limited liability company incorporated in Hong Kong on July 30, 1992, and a wholly owned subsidiary of CIMC and the promoter and the Controlling Shareholder of our Company
"CIMC Huajun"	our proprietary brand under Huajun Vehicle
"CIMC Jiangmen"	CIMC Vehicle (Jiangmen) Co., Ltd. (中集車輛(江門市)有限公司), a limited liability company established in the PRC on December 3, 2004, and our non-wholly owned subsidiary
"CIMC Liaoning"	CIMC Vehicles (Liaoning) Co., Ltd. (中集車輛(遼寧)有限公司), a limited liability company established in the PRC on December 9, 2005, and our wholly owned subsidiary
"CIMC Luoyang"	Luoyang CIMC Lingyu Automobile Co., Ltd. (洛陽中集凌宇汽車有限公司), a limited liability company established in the PRC on March 8, 2007, and our non-wholly owned subsidiary
"CIMC-SHAC"	CIMC-SHAC (Xi'an) Special Vehicles Co., Ltd. (中集陝汽重卡(西安)專用車有限公司), a limited liability company established in the PRC on September 20, 2006, and our non-wholly owned subsidiary

"CIMC Shanghai Baojian"	Shanghai CIMC Baojian Vehicle Comprehensive Inspection Co., Ltd. (上海中集寶檢汽車綜合檢測有限公司), a limited liability company established in the PRC on December 18, 2006, and our non-wholly owned subsidiary
"CIMC Shanghai Logistics"	Shanghai CIMC Vehicle Logistics Equipment Co., Ltd. (上海中集車輛物流裝備有限公司), a limited liability company established in the PRC on January 21, 2005, and our wholly owned subsidiary
"CIMC Shenzhen"	Shenzhen CIMC Vehicle Co., Ltd. (深圳中集專用車有限公司), a limited liability company established in the PRC on May 17, 2004, and our wholly owned subsidiary
"CIMC Tonghua"	our proprietary brand under CIMC Yangzhou
"CIMC Vehicle Investment"	CIMC Vehicle Investment Holdings Company Limited (中集車輛投資控股有限公司), a limited liability company incorporated in BVI, and our wholly owned subsidiary
"CIMC Wuhu"	Wuhu CIMC Ruijiang Automobile Co., Ltd. (蕪湖中集瑞江汽車有限公司), a limited liability company established in the PRC on March 26, 2007, and our non-wholly owned subsidiary
"CIMC Yangzhou"	Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. (揚州中集通華專用車有限公司), a limited liability company established in the PRC on December 14, 1991, and our wholly owned subsidiary
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "CIMC Vehicles"	CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司) (including our predecessor, CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)有限公司)), a joint stock company with limited liability established under the laws of the PRC on August 29, 1996

"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Compliance Advisor"	has the meaning ascribed to it under the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to CIMC and/or CIMC Hong Kong, as the case may be
"Conversion"	the conversion of our Company into a joint stock company as described in "History, Conversion and Corporate Structure" in this prospectus
"CR Trust"	China Resource SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), a limited liability company incorporated in the PRC on August 24, 1982
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Cushman & Wakefield"	Cushman & Wakefield Limited, the property valuer of our Company
"Directors"	the directors of our Company
"Domestic Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Dongyue Vehicles"	our proprietary brand under CIMC Dongyue
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), our independent industry consultant, which provides market research and analysis across multiple industries
"F&S Report"	the industry report we commissioned Frost & Sullivan to prepare on the global, North American and European semi-trailer and truck body industries
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$", "HK dollars" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 26,500,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in "Structure of the Global Offering")

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering") at the Offer Price (plus brokerage, SFC transaction levies and Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure of the Global Offering—Hong Kong Public Offering"
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting—Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 26, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters, as further described in "Underwriting—Underwriting Arrangements and Expenses"
"Huajun Vehicle"	Zhumadian CIMC Huajun Vehicle Co., Ltd. (駐馬店中集華駿車輛有限公司), a limited liability company established in the PRC on October 30, 1997, our wholly owned subsidiary
"Huajun Foundry"	Zhumadian CIMC Huajun Casting Co., Ltd. (駐馬店中集華駿鑄造有限公司), a limited liability company established in the PRC on August 12, 2010, our wholly owned subsidiary
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity(ies) or person(s) who, to the best of the knowledge, information and belief of our Directors, is/are not a connected person(s) of our Company within the meaning ascribed thereto under the Listing Rules
"International Offer Shares"	the 238,500,000 H Shares initially offered by our Company for subscription pursuant to the International Offering (including, for the avoidance of doubt, 16,666,000 Reserved Shares for the Preferential Offering) together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustment as described in "Structure of the Global Offering")

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering" in this prospectus (for the avoidance of doubt, of the International Offer Shares initially being offered under the International Offering, the Reserved Shares are made available for subscription by the Qualifying CIMC Shareholders under the Preferential Offering)
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around July 3, 2019 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting – International Offering"
"Jiangsu Baojing"	Jiangsu Baojing Auto Parts Co., Ltd. (江蘇寶京汽車部件有限公司), a limited liability company established in the PRC on February 24, 2016
"Joint Bookrunners"	Haitong International Securities Company Limited, ICBC International Capital Limited, Nomura International (Hong Kong) Limited and ING Bank N.V.
"Joint Global Coordinators"	Haitong International Securities Company Limited, ICBC International Capital Limited and Nomura International (Hong Kong) Limited
"Joint Lead Managers"	Haitong International Securities Company Limited, ICBC International Securities Limited, Nomura International (Hong Kong) Limited, ING Bank N.V., GoldBridge Hong Kong Securities Limited and Futu Securities International (Hong Kong) Limited
"LAG"	our proprietary brand under LAG Trailers
"LAG Trailers"	Lag Trailers NV Bree, a company established in Belgium, our wholly owned subsidiary

"Latest Practicable Date"	June 18, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lingyu Vehicles"	our proprietary brand under CIMC Luoyang
"Listing"	listing of our H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or around July 11, 2019, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longyuan Investment"	Shenzhen Long Yuan Gang Cheng Investment and Development Co., Ltd. (深圳市龍源港城投資發展有限責任公司), a limited liability company established in the PRC on December 14, 2015
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from, and operated in parallel with, the Growth Enterprise Market of the Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Manson Technology"	Manson Technology Limited (萬生科技有限公司), a company incorporated in Hong Kong on April 26, 2000 and our wholly owned subsidiary
"Maximum Offer Price"	HK$8.08 (being the high end of the indicative Offer Price range stated in this prospectus)

"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nanshan Dacheng"	Shenzhen Nan Shan Da Cheng New Material Investment Partnership (Limited Partnership) (深圳南山大成新材料投資合夥企業(有限合夥)), a limited liability partnership incorporated in the PRC on December 3, 2015, and the promoter and Shareholder of our Company
"Nanshan Fund"	Shenzhen Nanshan Dacheng Fund Management Limited Company (深圳南山大成基金管理有限公司), a limited liability company incorporated in the PRC on May 14, 2015, and the general partner of Nanshan Dacheng
"Nanshan Group"	China Nanshan Development (Group) Co., Ltd. (中國南山開發(集團)股份有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國發展與改革委員會)
"Ningbo Fengmei"	Ningbo Fengmei Industrial Limited Company (寧波峰梅實業有限公司), a limited liability company incorporated in the PRC on January 18, 2006, and the shareholder of Xiangshan Huajin
"Nomination Committee"	the nomination committee of our Company
"Non-Qualifying CIMC Shareholder(s)"	CIMC H Shareholder(s) whose name(s) appeared in the register of members of CIMC on the Record Date and whose address(es) as shown in such register are in any of the Specified Territories and any CIMC H Shareholder(s) or Beneficial CIMC Shareholder(s) at that time who are otherwise known by CIMC to be resident in any of the Specified Territories
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK$8.08 and expected to be not less than HK$6.38, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering – Pricing and Allocation"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares (including, for the avoidance of doubt, the Reserved Shares) together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 39,750,000 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in "Structure of the Global Offering"
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of the PRC
"Ping An Decheng"	Shenzhen Ping An Decheng Investment Limited Company (深圳市平安德成投資有限公司), a limited liability company established in the PRC on September 9, 2008 and the general partner of Shanghai Taifu and Taizhou Taifu
"Ping An Financial"	Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"Ping An Group"	Ping An Insurance (Group) Company Ltd. (中國平安保險(集團)股份有限公司), a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 601318) and the Hong Kong Stock Exchange (stock code: 2318), and our Substantial Shareholder

"Ping An Health Partnership"	Shenzhen Ping An Health Technology Equity Investment Partnership (Limited Partnership) (深圳市平安健康科技股權投資合夥企業(有限合夥)), a limited partnership established in the PRC, and our Substantial Shareholder
"Ping An Life Insurance"	Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司), a limited liability company established in the PRC, and our Substantial Shareholder
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC legal advisors"	Shu Jin Law Firm, the PRC legal advisors to our Company
"Preferential Offering"	the preferential offering to the Qualifying CIMC Shareholders of 16,666,000 H Shares (representing approximately 6.29% of the Offer Shares initially being offered under the Global Offering) as an Assured Entitlement out of the International Offer Shares being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this prospectus and in the **BLUE** Application Form, as further described in the section headed "Structure of the Global Offering – The Preferential Offering"
"Pre-IPO Investors"	Shanghai Taifu, Taizhou Taifu, Xiangshan Huajin, Nanshan Dacheng and Sumitomo Corporation
"Price Determination Date"	the date, expected to be on or around Wednesday, July 3, 2019, but no later than Wednesday, July 10, 2019, on which the Offer Price is fixed for the purpose of the Global Offering
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"Qingdao Container"	Qingdao CIMC Container Manufacture Co., Ltd. (青島中集集裝箱製造有限公司), a limited liability company established in the PRC and a wholly owned subsidiary of CIMC
"Qingdao Eco-Equipment"	Qingdao CIMC Eco-Equipment Co., Ltd. (青島中集環境保護設備有限公司), a limited liability company established in the PRC on June 8, 2007, and our wholly owned subsidiary

"Qingdao Reefer"	Qingdao CIMC Reefer Trailer Co., Ltd. (青島中集冷藏運輸設備有限公司), a limited liability company established in the PRC on November 30, 2007, and our wholly owned subsidiary
"Qingdao Special Vehicle"	Qingdao CIMC Special Vehicle Co., Ltd. (青島中集專用車有限公司), a limited liability company established in the PRC on November 1, 2004, and our wholly owned subsidiary
"Qualifying CIMC Shareholder(s)"	CIMC H Shareholder(s), whose name(s) appeared on the register of members of CIMC on the Record Date, excluding the Non-Qualifying CIMC Shareholders
"Record Date"	April 9, 2019, being the record date for determining the Assured Entitlement of the Qualifying CIMC Shareholders to the Reserved Shares
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Company
"Reserved Shares"	the 16,666,000 H Shares being offered by our Company pursuant to the Preferential Offering at the Offer Price to the Qualifying CIMC Shareholders as the Assured Entitlement, which are to be allocated out of the International Offer Shares as described in "Structure of the Global Offering" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Ruijiang Vehicles"	our proprietary brand under CIMC Wuhu
"SAFE"	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC (中國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC
"SDC"	our brand under SDC Trailers
"SDC Trailers"	SDC Trailers Ltd., a company incorporated in the UK, and our wholly owned subsidiary

"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shandong Wanshida"	Shandong Wanshida Special Purpose Vehicle Manufacturing Co., Ltd. (山東萬事達專用汽車製造有限公司), a limited liability company established in the PRC on March 1, 2007, and wholly owned subsidiary of CIMC Dongyue
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai Rongji Logistics"	Shanghai Rongji Logistics Co., Ltd. (上海容極物流有限公司), a limited liability company established in the PRC on December 7, 2016
"Shanghai Taifu"	Shanghai Tai Fu Xiang Zhong Equity Investment Fund Partnership (Limited Partnership) (上海太富祥中股權投資基金合夥企業(有限合夥)), a limited liability partnership established in the PRC on December 18, 2015, and the promoter and Shareholder of our Company
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s), Unlisted Foreign Share(s) and H Share(s)
"Shareholders(s)"	holder(s) of our Share(s)
"Shenzhen CIMC Container"	Shenzhen Southern CIMC Container Service Co., Ltd. (深圳南方中集集裝箱製造有限公司), a private limited liability company incorporated in the PRC on December 18, 1995, and a wholly owned subsidiary of CIMC
"Shenzhen Longhui"	Shenzhen Long Hui Gang Cheng Enterprise Management Center (Limited Partnership) (深圳市龍匯港城企業管理中心(有限合夥)), a limited liability partnership incorporated in the PRC on May 11, 2017, and a shareholder of Xiangshan Huajin
"Shenzhen Longyuan"	Shenzhen Long Yuan Gang Cheng Enterprise Management Center (Limited Partnership) (深圳市龍源港城企業管理中心(有限合夥)), a limited liability partnership incorporated in the PRC on April 29, 2016, and the promoter and Shareholder of our Company

"Shenzhen Shengji Logistics"	Shenzhen Shengji Logistics and Transportation Co., Ltd. (深圳升集物流運輸有限公司), a limited liability company established in the PRC on October 28, 2016, and wholly owned subsidiary of Vanguard Trailer Rental
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Sole Representative"	Haitong International Securities Company Limited
"Sole Sponsor"	Haitong International Capital Limited
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"Specified Territories"	the PRC and the United States
"Spin-off"	the separate listing of our Shares on the Main Board, which is expected to be effected by way of the Global Offering, including the Preferential Offering
"Stabilizing Manager"	Haitong International Securities Company Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between CIMC HK and the Stabilizing Manager on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy, development and investment review committee of our Company
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company

"Taizhou Taifu"	Taizhou Tai Fu Xiang Yun Equity Investment Partnership (Limited Partnership) (台州太富祥雲股權投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on November 28, 2017, and the promoter and Shareholder of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2016, 2017 and 2018
"UK"	the United Kingdom
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Foreign Share(s)"	unlisted ordinary share(s) of RMB1.00 each in the share capital of our Company held by CIMC HK and Sumitomo Corporation before the Listing
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"US", "U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Vanguard"	our brand under Vanguard National Trailer Corporation
"Vanguard National Trailer"	Vanguard National Trailer Corporation, a company incorporated in the United States, and our wholly owned subsidiary
"Vanguard Trailer Rental"	China Jiangsu Vanguard Trailer Rental Co., Ltd. (江蘇掛車幫租賃有限公司), a limited liability company established in the PRC on August 4, 2017, and our non-wholly owned subsidiary
"VAT"	value added tax

"Wanshida"	our brand under Shandong Wanshida
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhan Shengji Logistics"	Wuhan Shengji Logistics and Transportation Co., Ltd. (武漢升集物流運輸有限公司), a limited liability company established in the PRC on November 4, 2016, and wholly owned subsidiary of Vanguard Trailer Rental
"Xiangshan Huajin"	Xiang Shan Hua Jin Industrial Investment Partnership (Limited Partnership) (象山華金實業投資合夥企業(有限合夥)) (previously known as Xiang Shan Hua Jin Equity Investment Partnership (Limited Partnership) (象山華金股權投資合夥企業(有限合夥))), a limited liability partnership established in the PRC on November 22, 2017, and the promoter and Shareholder of our Company
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Zhenjiang Technology"	Zhenjiang Shen Xing Tai Bao Technology Co., Ltd. (鎮江神行太保科技有限公司), a limited liability company established in the PRC on July 25, 2017
"%"	per cent

In this prospectus, the terms "associate," "connected person," "connected transaction," "controlling shareholder," "holding company" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and, in the event of any inconsistency, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"center-axle trailer"	a trailer equipped with a single axle or a group of axles which are positioned at or near the center of gravity
"fifth-wheel coupling"	the fifth-wheel coupling provides the link between a semi-trailer and the tractor unit
"GB1589-2016"	a national standard in China which regulates the limits of dimensions, axle load and masses for motor vehicles, trailers and road trains
"high-tensile steel"	steel which can withstand great strain without breaking or becoming deformed, having a yield strength range of 50,000 to 100,000 pounds per square inch
"ISO 9001"	the criteria for a quality management system
"KTL"	a finished technological process used for coating of metal surfaces with a thin, solid, one layer, and corrosion-resistant organic coating
"powder coating"	a type of coating that is applied as a free-flowing, dry powder. The coating is typically applied electrostatically and is then cured under heat to allow it to flow and form a "skin". The powder may be a thermoplastic or a thermoset polymer. It is usually used to create a hard finish that is tougher than conventional paint. Powder coating is mainly used for coating of metals
"semi-trailer"	any vehicle intended to be coupled to a motor vehicle in such a way that part of it rests on the motor vehicle with a substantial part of its weight and the weight of its load being borne by the motor vehicle, and constructed and equipped for the carriage of goods
"swap body"	an interchangeable freight container body which is fitted with four fold-up legs under its frame. These legs allow the swap body to be changed, or to be swapped from one carriage to another, or to be left at a destination, without using extra equipment

"truck chassis"	is the base frame of a specialty vehicle on which the truck body is installed. It is the overall structure which binds the parts and components, such as engine, tires, axles and electrical systems, together. In China, a truck chassis is also generally known as a Type 2 chassis (二類底盤)
"tractor unit"	a heavy-duty towing engine that provides motive power for hauling a towed or trailered load
"truck body for specialty vehicles" and "truck body"	a type of vehicle body, such as a dump bed or mixer, which can be installed onto a truck chassis to form a fully-assembled specialty vehicle, such as a dump truck or mixer truck
"twist locking device"	part of a standardized rotating connector for securing shipping containers. The primary uses are for locking a container into place on a container ship, semi-trailer truck or railway container train, and for lifting the containers by container cranes and side lifters

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the governments in the PRC, the US, the UK and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the industry and markets in which we operate;
- general political and economic conditions in which we have, or intend to have, business operations;
- various business opportunities that we may pursue;
- macro-economic measures adopted by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described in the following risk factors, when considering making an investment in the H Shares being offered in the Global Offering. You should pay particular attention to the fact that our business and operations are conducted substantially in the PRC and are governed by a legal and regulatory environment which, in certain aspects, differs from that prevailing in other countries. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of the H Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment. For details regarding the PRC and other related matters discussed below, see "Regulatory Environment," "Appendix VI–Summary of Principal Legal and Regulatory Provisions" and "Appendix V–Summary of Articles of Association." These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any of such contingencies occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-Looking Statements."

RISKS RELATING TO OUR BUSINESS

Significant changes in the general economic and market conditions as well as in the industry standards in the regions where we operate could materially adversely affect market demand for our products.

As a substantial part of our revenue is derived from China, North America and Europe, our results of operations significantly depend on economic and market conditions in these regions. Global demand for semi-trailers and truck bodies is influenced by various factors beyond our control, such as the region's economic growth, urbanization progress, infrastructure construction, consumer spending and government policies. Also, demand for our products, such as chassis trailers, may be adversely impacted if there is any significant slowdown in the growth of global trade and exports. Uncertainties about PRC and global economic conditions could adversely affect infrastructure spending and consumer confidence in response to uncertainties in political environments, credit constraints, financial market volatility, higher unemployment rates, government austerity programs, negative financial news, declines in disposable income or asset values and other macroeconomic factors. These regional economic and worldwide conditions could have a material adverse effect on demand for our products. For example, macroeconomic policies in China which slow down infrastructure construction could dampen market demand for specialty vehicles, particularly dump trucks and mixer trucks. As our SDC branded semi-trailers are manufactured in the UK, market uncertainties associated with Brexit could adversely affect demand for our products, such as curtain-side trailers. Our curtain-side trailers sold to Europe experienced a RMB35.1 million decrease in revenue in 2018 compared to that in 2017, following the significant increase in our sales of curtain-side trailers after the acquisition of SDC Trailer in the second half of 2016, primarily due to the decreased demand for our curtain-side trailers in the UK resulting from market uncertainties associated with Brexit.

In addition, demand could differ materially from our expectations as a result of changes in industry standards, particularly road transportation regulations and emission standards. For example, the implementation of GB1589-2016 in July 2016 posed strict limits on the height and length of trailers in China and set a new trend for PRC auto transporters to use center-axle trailer systems, thereby reducing market demand for certain old models of semi-trailers, but also creating demand for new types or models of trailers, in particular center-axle car carriers. In certain countries where our operations are located, such as China, Thailand and Vietnam, the semi-trailer industry is still evolving and it is possible that local industry standards and regulations may change in ways unfavorable to the development of this industry. Future changes in industry standards or relevant regulatory policies may have an adverse effect on our business prospects and results of operations.

Furthermore, if changes occur to traffic patterns of goods transportation that lead to reduced overall road transportation volumes, demand for our products will decrease and our business could be adversely affected. For example, the PRC government promulgated policies in 2018 to encourage railway transportation for bulk commodities, such as coal, coke and ores, in lieu of road transportation. China has seen, and may continue to experience, a shift to the faster and more cost-efficient railway transportation for transporting coal, ores and other bulk commodities, which could have an adverse effect on the demand for our products, particularly fence trailers.

We are subject to the risks associated with international trades.

We generated 48.6%, 43.7%, and 42.5% of our revenue from overseas markets, primarily North America and Europe, in 2016, 2017 and 2018, respectively. Margins on sales of our products exported from China to overseas countries and on sales of products that include components obtained from foreign suppliers, could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. Our business and operations may be adversely affected if any country which we export to imposes import restrictions or higher tariffs on semi-trailers as trade barriers, or if similar restrictions were imposed by the PRC government on our importation of certain raw materials.

If significant tariffs or other restrictions are placed on Chinese imports or any related countermeasures are taken by China, our revenue and results of operations may be materially affected. In March 2018, the US administration imposed a 25% tariff on steel and a 10% tariff on aluminum imports from many countries, including China. In September 2018, the US administration imposed a 10% tariff on US$200 billion worth of Chinese imports into the US, including semi-trailers manufactured in China. On May 10, 2019, the US administration further raised the tariffs from 10% to 25% on these Chinese imports, which was effective immediately, with a limited extension for certain goods that were exported from China before May 10, 2019 and enter into the US before June 15, 2019. Under this circumstance, if we are unable to increase our local production capacity in the US, or raise prices for our US market to cover the cost of increased tariffs or if we do not want to risk losing sales by passing on the potential cost increase to our US customers, our sales volume and gross margin in North America may decrease, which, in turn, could adversely affect our results of operations.

We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. Any existing barriers to trade or newly implemented protectionist measures imposed on our exports to our key overseas markets could adversely affect our exports to these regions and, in turn, our results of operations and financial position.

Our future success depends, in part, on our ability to expand our production capacity and to further improve our productivity and upgrade our production facilities, which is subject to risks and uncertainties.

Expansion of production capacity is crucial to our business operation and organic expansion, including establishing new manufacturing plants and acquiring manufacturing equipment to enhance economies of scale and meet increasing market demand. Equally, production facility upgrading also plays a crucial role in our transitioning from a traditional manufacturer to a modern manufacturer equipped with advanced technologies to cater to evolving customer demand and preferences. In 2019, we expect to incur approximately RMB1.7 billion of capital expenditures for developing production facilities in China, the US and the UK.

We plan our future production capacity based on our expectations regarding a number of inherently uncertain factors, including anticipated demand for our semi-trailers and truck bodies and general market conditions. Our production capacity may not match the market demand. If the demand for any of our semi-trailers or truck bodies is lower than anticipated due to unforeseen changes to consumer preferences or otherwise, our sales and profitability would suffer, we would not achieve satisfactory returns from our investments in the expansion of production capacity and development of new products, and we would likely incur higher production costs, all of which may have a material adverse effect on our market position, financial condition and results of operations. Conversely, our expansion and upgrading of production capacity may fail to meet the increasing demand for our semi-trailers or truck bodies, in which case, our market share may be eroded.

In addition, our ability and efforts to adopt a new strategy to expand our capacity and upgrade our production efficiency are subject to certain risks and uncertainties, such as our ability to raise capital through equity or debt at reasonable cost, the reaction period needed to adapt to local markets and to obtain the required permits, licenses and approvals from relevant government authorities. There is no assurance that we will be able to obtain all relevant permits, licenses and approvals for our future projects or our future plans for expanding our production capacity on a timely basis or at all. Expansion of our capacity may also be disrupted by catastrophe or other unexpected events.

Along with our digitalization of our "Light Tower" plants, we plan to adjust our management and organization of these plants accordingly, in terms of both production process and technologies. This would require our flexible decision-making process. Our officers might have limited experience in managing upgraded plants due to the difference between these plants and traditional production facilities. Therefore, we need to conduct training or recruit individuals with specialized skills and knowledge. The loss of any of our management, operational and technical personnel's services could impede our ability to achieve our objectives, particularly in our ability to operate our digitalized plants and, as such, would negatively impact our possible overall development.

Furthermore, system upgrades at our production facilities that impact ordering, production scheduling and other related manufacturing processes are complex, and could impact or delay production targets. Any of these could materially and adversely affect our business, financial condition and results of operations.

We may fail to implement and maintain effective quality control systems at our production facilities, due to which we may face potential product liability and warranty claims or suffer losses due to defective products.

We maintain strict quality control over the research and development, engineering and manufacturing of our products and parts and components with an aim to demonstrate our ability to provide products that meet customer, regulatory and statutory requirements. The manufacture and sale of our products subject us to potential product liability claims if we fail to manage our quality control effectively, and our products fail to perform as expected, or are proven to be defective, or if they cause, result in, or are alleged to have caused or resulted in, personal injuries, or asset damages. Any product liability claim, with or without merit, could prove costly and time-consuming to defend and could potentially harm our reputation and image. Successful product liability claims may require us to pay substantial damages.

Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third-party suppliers. While repair and replacement of certain parts and components used in our products, such as truck chassis, are covered by the manufacturers of such parts and components directly, rather than us. If such third-party suppliers fail to perform their warranty obligations or indemnify us for the losses resulting from such defects and product liability claims in full or at all, we may incur additional warranty costs or incurred costs may not be recovered. In addition, a material design, manufacturing or quality-related failure or defect in our products or other safety issues could each warrant a product recall by us and result in increased product liability claims and/or regulatory actions. If we are found to be in material violation of relevant laws and regulations, our business license to manufacture or sell relevant products could be suspended or revoked, and we could be subject to civil and criminal liabilities.

We usually require complaints from end-user customers to be resolved promptly. However, our product warranty provisions may not be adequate if any product liability or warranty claims are made and we are held liable.

We may not be able to develop and introduce new products that meet changing market demand or gain general market acceptance in a timely manner, and our research and development may not always yield anticipated results.

The key to our future success is our ability to develop and introduce new products or models that appeal to evolving customer preferences and enhance the performance and reliability of our products. If our products are not well received by the market, or if we are unable to develop and manufacture competitive products in response to market demand and industry standards, our future development and market position may be significantly undermined, and our financial condition and results of operations may be materially and adversely affected.

We may not be able to develop new products or models in a cost-effective manner and on a timely basis, or at all. In addition, there is no assurance that any of our new products or models will gain general market acceptance when we commercially produce them, even if they may have gained recognition in terms of design or other aspects in the industry. The launch of a new product or model requires substantial capital investment and generally higher initial production and marketing costs. New products or models generally require an extended period to gain market acceptance. We expect to continue to incur additional research and development expenses to develop new products. For example, we plan to develop high-end refrigerated trailers, which will be equipped with foamed panels with lower heat leakage and better refrigerating performance, improved interior structural design to guarantee even flow of cooling air, and multiple built-in electronic parts and smart sensors. If market acceptance of any of our new products is lower, or requires more time, than we anticipated, we may not achieve the intended economic return on our investment and our results of operations and financial condition could be materially and adversely affected.

We rely on certain key raw materials, parts and components and utilities, such as steel, tires, rims and axles in our manufacturing process, and any failure or shortage in the supply of such key raw materials, parts and components and utilities may adversely affect our business.

Our business is subject to risks associated with failure or shortage in the supply of certain key materials, parts and components and utilities required for the manufacture of our products, which might be affected by various factors, including volatility in their prices, our relationship with suppliers, changes in suppliers' manufacturing capacity, availability of substitute materials, interruptions in production by suppliers or supply chain, general economic conditions and natural disasters and other factors out of our control.

If the commodity prices of our key materials, parts and components and utilities increase significantly, our profitability may be adversely affected as we may not be able to increase the prices of our products to offset the impacts. Any significant increase in the prices of utilities, any shortage or government-imposed curtailment on utilities usage or any interruption in utilities supply could increase our cost of sales and/or cause disruptions to our operations. This, in turn, may adversely affect our business, results of operations and financial condition.

We generally have multiple suppliers for most of our raw materials, parts and components. However, our customers may require certain raw materials, parts and components, such as high-strength steel, from a specific manufacturer, which we can only source from a limited number of suppliers. Furthermore, certain parts and components are manufactured based on each individual product's specifications and cannot be used in other products without further processing and adjustments. Our ability to source such parts and components from alternative suppliers may be limited. Any negative impact on the transportation of the key materials and parts and components could adversely affect their supply and our overall procurement costs, business and operational condition.

In addition, while we mainly commence production upon receiving orders from customers, we usually do not maintain significant inventories of such key materials, parts and components. If our suppliers experience any disruption in their production, assembly or logistics operations due to equipment breakdowns, natural disasters, changes in industry standards or otherwise, we may not be able to obtain sufficient key materials, parts and components in time to manufacture our products and meet delivery schedules as agreed with our customers. We may also not be able to acquire such key materials, parts and components from alternative suppliers upon commercially acceptable terms, in satisfactory quality or in a timely manner. As a result, we may experience reductions in the availability of production capacity, failures to comply with production specifications, insufficient quality control, failures to meet production deadlines, increases in assembly costs and longer lead time requirements.

Further, we cannot assure you that our inventory management measures will be implemented effectively so that we will not have significant levels of obsolete or excessive inventories. In the event that there is a sudden decrease in the market demand for our products or in the event that our new products do not successfully meet customer demand, we may experience slow movement of our inventories. We may not be able to utilize or sell our inventories swiftly, and may face the risk of inventory obsolescence. The slow movement of our inventories may, in turn, lead to an increase in our inventory level and thus an increase in our inventory carrying costs or provision for impairment of inventory. Increased inventories may adversely affect our pricing strategies, and we may be forced to rely on markdowns or promotional activities to dispose of unsold items, which, in turn, may adversely affect our financial condition and results of operations.

Furthermore, due to differences in timing between our purchases from suppliers and sales to our customers, there is often a lead-lag effect that can negatively impact our margins in the short term in the event of rising prices of materials, parts and components and utilities. If we fail to effectively control the cost of our materials, parts and components and utilities or fail to pass the increased cost to our distributors and end-user customers, our business, financial condition and results of operations could be materially and adversely affected.

During the Track Record Period, our production operations were not materially affected by any material failure or shortage in the supply of such key materials, parts and components and utilities. However, there is no assurance that these will not occur in the future.

Any interruption in the operation of our manufacturing, delivery and assembly process may have an adverse impact on our business.

Our 31 manufacturing and assembly plants are primarily located in China, North America and Europe. In addition, as part of our global operations, we also manufacture certain semi-trailer products in China and assemble them in our assembly plants overseas, and therefore we are dependent on the cost-efficient delivery from our PRC plants to our destination plants. Any interruption in our manufacturing, delivery and assembly process could materially affect our business operations.

Manufacturing, assembly or transit to final locations may be disrupted for a variety of reasons, including, but not limited to, equipment breakdowns, labor strikes or shortages, natural disasters, component and material shortages, environmental noncompliance, commercial disputes, military actions or information technology system failures such as power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology system. A prolonged disruption in the operations of any of our production facilities or any unforeseen delay in shifting our manufacturing operations to our new or upgraded facilities, whether due to technical or labor difficulties or otherwise, could result in delays in the shipment of products to our customers, increased costs and reduced revenue. In addition, upon the completion of our planned new automated production facilities in the US, we expect to achieve cost savings for manufacturing and assembling chassis trailers and refrigerated trailers locally in the US, as compared to manufacturing the vehicles, in the case of chassis trailers, or major parts and components, in the case of refrigerated trailers, in China for final assembly in the US, as we expect that the decreases in transportation costs and costs incurred for import tariffs would outpace the increases in procurement costs of raw materials and processing costs to be incurred for manufacturing and assembling locally in the US. However, we cannot assure you that we can successfully realize our business plan if we experience any unforeseen material increases in costs of raw materials procured locally in the US, labor costs for manufacturing locally in the US and other production costs or any other unforeseen disruption in the manufacturing, assembly and delivery process. We also depend on outsourced partners for transportation and logistics management. While these arrangements may lower operating costs, they could also reduce our direct control over production and distribution. We may experience operational difficulties with our suppliers and outsourcing partners, including reductions in the availability of production capacity, failures to comply with production specifications, insufficient quality control, failures to meet production deadlines and longer lead times, any of which will disrupt our manufacturing and assembly process and, in turn, adversely affect our business operations.

Increasing competition within the semi-trailer and truck body markets could have an adverse impact on our ability to maintain competitiveness.

We may face significant competition in our manufacture and sale of semi-trailers and truck bodies for specialty vehicles from foreign and domestic competitors. Competition in the global market is based on a number of factors, including product pricing, product features and design, quality, performance, innovation, reputation, energy efficiency, distribution and financial incentives. Our competitors include large regional trailer manufacturing corporations. Certain of our competitors might have greater financial, sales and marketing, manufacturing, research and development or technological resources than us, and may be able to manufacture products on a larger scale or with greater cost-efficiencies. Some of our specialized competitors may also have more flexibility to develop alternative technologies or try out different product designs that consumers may prefer over ours. Significant new competitors or increased competition from existing competitors domestically or from other regions may adversely affect our business, results of operations and financial condition.

If relevant authorities change the industry entry barriers and regulations relating to the semi-trailer and truck body markets, we may face even more intense competition from current players and new entrants in the semi-trailer and truck body markets. In addition, any consolidation in the semi-trailer and truck body markets, with our competitors entering into strategic alliances, may result in stronger competition for us and a decline in our relative market position. There can be no assurance that we will be able to compete successfully, and failure to do so would have an adverse effect on our business, results of operations and financial condition.

Our entry into new markets is subject to risks and restrictions.

We sell our products in China, North America, Europe and other regions, covering over 40 countries. We have experienced solid growth in the European market during the Track Record Period following our acquisitions of LAG Trailers and SDC Trailers. We intend to expand our business in overseas markets, as a result of which we are exposed to various risks and restrictions associated with conducting business in foreign countries and regions, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to semi-trailers;

- exposure to litigation risks outside of China;

- political and economic instabilities;
- high-entry barriers in certain developed foreign markets;
- foreign exchange rate exposure;
- unfamiliarity with local operating and market conditions;
- cultural and language barriers;
- trade restrictions, technology barriers, protectionism and economic sanctions;
- competition from other international semi-trailer or truck body manufacturing companies;
- local practices on contract bidding and payments;
- difficulties with staffing and managing overseas operations, including managing an increasing number of employees and complying with various labor regulatory requirements of different jurisdictions;
- stringent environment, safety and labor standards; and
- managing relationships with, and collecting payments from, foreign customers.

Any of the foregoing and related risks and uncertainties could adversely affect our global operations, which, in turn, could adversely affect our financial condition and results of operations.

Our global operations may expose us to commercial risks in corporate governance of overseas subsidiaries.

Global operation exposes us to potential risks associated with deterioration in the business performance of our overseas subsidiaries due to difficulties in corporate governance, which could adversely affect our financial condition and results of operations. Our management team experienced difficulties in cooperation with local managers at our overseas subsidiaries who had different business views and everyday cultural norms, both in and out of the workplace. Risks in corporate governance of overseas subsidiaries, including weakness in cultural awareness and language skills, could cast extra difficulty in representing our business internationally and integrating acquired overseas subsidiaries. Following our global acquisitions, we may not be able to incentivize our local management team through an efficient system and thus align our interests with the subsidiaries' interests. If we cannot overcome the cultural barriers from networking and participating in international partnerships or successfully align our interests with our subsidiaries' interests, our international positions could be adversely affected.

We may undertake acquisitions, investments, partnerships and new business lines, which may not be successful.

We may be unable to conclude or successfully integrate acquisitions and strategic alliances. We have, in the past, increased market positions in our product and service areas and entered into new geographic and product areas through acquisitions and establishing strategic alliances locally and may continue to do so in the future. There is no assurance that we will be able to identify attractive and suitable acquisition targets or partners with whom to form strategic alliances, and failure to do so in a timely manner, or at all, may affect our ability to realize our growth objectives. In addition, there are inherent risks with acquisitions and business expansions, including obtaining sufficient funding for our expansion and the enlarged operation and negotiating acquisitions on favorable terms, and there can be no assurance that we will be able to achieve the strategic purpose of any organic growth or acquisition.

In addition, such transactions and initiatives could require our management to develop expertise in new areas, manage new business relationships, attract new types of customers and specialize in, expand or enhance, technological capabilities. The diversion of our management's attention and resources could have a material adverse effect on our ability to manage our existing business and operations, while incurring significant acquisition, administrative and other costs related to the integration of acquired or restructured businesses.

There are risks and uncertainties related to these activities, including the difficulty of integrating acquired operations, culture, personnel, technology and products, potential unforeseen or hidden liabilities associated with an acquired company, undisclosed risks affecting an acquired company, potential adverse effects on existing business relationships with current customers and suppliers, difficulty of exercising control and supervision over the newly acquired operations and failure to achieve the anticipated synergies, cost savings or revenues. In addition, any acquisitions could involve the incurrence of substantial additional indebtedness or dilution of the equity interests of our Shareholders. There is no assurance that we will be able to successfully integrate any acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we maintain long-term cooperative relationships with certain domestic and foreign research institutions, universities and enterprises, forming alliances for research, development, application and production. If we cannot maintain this partnership, our production of several products and research and development capabilities to maintain leading market position and sustainable growth and therefore our profitability, business and market share may be adversely affected.

Failure to manage our relationships with our distributors or actions taken by them may materially and adversely affect our results of operations and market position.

In addition to selling semi-trailers or truck bodies through our sales employees, we also sell our products through distributors. In 2016, 2017 and 2018, we sold approximately 21.4%, 22.6% and 24.8%, respectively, of our products through distributors. In addition, there is no assurance that we will be able to renew our relationships with our distributors upon expiration of their contracts with us. Any failure to maintain and expand our relationship with a substantial number of distributors could have a material and adverse effect on our ability to market and distribute our semi-trailers or truck bodies successfully through our sales network, and, in turn, materially and adversely affect our results of operations and market position.

Our distributors could experience one or more of the following events, any of which could have a materially adverse impact on our results of operations, reputation, brand recognition and market position:

- Any breach of our agreements with them, including sales of products or sales into geographic regions that are in violation of agreed-upon exclusive distribution rights;

- Unauthorized use or misuse of our brand name;

- Failure to adequately promote our products;

- Failure to provide proper training and service to the end users of our products; or

- Violation of the anti-corruption laws of China, the US, the UK and other regions where we operate.

Any noncompliance by our distributors with our agreements or relevant legal or regulatory requirements could harm our corporate image and disrupt our sales. We have limited control over our distributors. Our ability to successfully market and sell our products may be affected if any of these distributors breach their agreements with us or violate relevant laws or regulations.

Our results of operations tend to fluctuate due to seasonality.

We operate in a cyclical industry that is subject to seasonal fluctuations in China and abroad. The semi-trailer and truck body markets tend to be more active in peak months, typically during the second quarter of the year. Purchases from our customers are highest during these spring months when their daily operations are most active. Due to the seasonality of our business, the results of any period of a year are not necessarily indicative of the results that can be achieved for the full year.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis, or at all, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital for our operations and capital expenditures for our expansion, to enhance global brand awareness and introduce new products and services. If capital resources are not available, we may not be able to implement our strategy and future plans. We expect our total indebtedness will continue to increase as a result of our business expansion. Historically, we have generally relied on capital contributions from Shareholders, equity investment from our Pre-IPO Investors, bank loans and related party loans as well as cash generated from our operations to fund our operations and expansion. Our ability to obtain adequate external financing depends on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and PRC economies, interest rates, the applicable laws, regulations, rules and conditions related to the semi-trailer and truck body industry and the geographical regions where we operate. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, or that we will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis, or at all. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms, or at all, our business and operations may suffer, and the implementation of our expansion plans and our other strategies may be delayed.

In addition, our current bank borrowings contain certain financial covenants which may restrict our operations. Future borrowings may also include restrictive covenants. Failure by us to meet payment obligations or to comply with any affirmative covenants, or violation on our part of any negative covenants, may constitute an event of default on our borrowings. If any event of default occurs, our financial condition, results of operations and cash flow may be materially and adversely affected.

Furthermore, to the extent that our existing sources of capital are not sufficient to satisfy our needs for future acquisitions or expansions, market changes or other developments, we may have to seek external sources, including through the issuance of additional equity or debt securities in the domestic or international capital markets or additional bank borrowings. Any future sale by us of our equity securities or securities convertible into our equity securities is subject to a variety of uncertainties and would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may also result in restrictive covenants limiting our shareholding structure, business and/or operations.

We are subject to risks relating to fluctuations in foreign exchange rates.

We are exposed to foreign exchange risk primarily through sales and purchases, capital expenditures and expenses that are denominated in a currency other than the functional currency of the relevant subsidiary. Our foreign currency exposure mainly arises from the exposure of Renminbi against the US dollar, the British Pound and the Euro. A substantial portion of our borrowings as of December 31, 2018 was denominated in the US dollar while the remaining borrowings were denominated in other currencies, including the Euro. We use forward foreign currency contracts to manage the potential impact of fluctuations in foreign currency exchange rates on our business over time. We enter into interest rate swaps to mitigate floating interest rate exposure from long-term borrowings. As of December 31, 2016, 2017 and 2018, the total notional principal amount of outstanding contracts for interest rate and currency swaps was approximately RMB140.2 million, RMB130.7 million and RMB284.3 million, respectively. As of December 31, 2016, 2017 and 2018, the carrying amount of our foreign currency denominated monetary assets was RMB872.0 million, RMB671.4 million and RMB800.4 million, respectively, while the carrying amount of our foreign currency denominated monetary liabilities was RMB339.2 million, RMB222.6 million and RMB243.3 million, respectively. In 2016 and 2018, we recorded net exchange gains on cash and cash equivalents of RMB45.6 million and RMB42.8 million, respectively. In 2017, we recorded net exchange losses of RMB34.7 million. See "Financial Information – Financial Risks – Foreign Exchange Risk" and note 3.1(a)(i) to "Appendix I – Accountant's Report" for a detailed analysis of the exposure and potential impact of foreign currency fluctuations on our operations.

The exchange rates of Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in the PRC's political and economic conditions. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account, but also to boost the competitiveness of the PRC's exports. The PRC government may make further adjustments to the exchange rate system in the future. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the US dollar or other foreign currencies in the long term. Any appreciation of the Renminbi against the US dollar or any other foreign currency may result in a decrease in the value of our foreign currency-denominated revenue or assets. We may also face more intense competition from imported semi-trailers and truck bodies sold at a cheaper price due to the appreciation of the Renminbi or depreciation of foreign currencies. Any appreciation of the US dollar, the Euro or other foreign currencies against the Renminbi may cause an increase in the cost of imported raw materials, parts and components used by us, and, in turn, may cause us to raise the prices of our products. Our results of operations in 2017 were adversely affected by the appreciation of the Renminbi against other currencies, including, in particular, the US dollar and there is no assurance as to how and to what extent the Renminbi exchange rate will fluctuate against the US dollar or any other foreign currency in the future.

Furthermore, we are also subject to translation risks as our consolidated financial statements are denominated in Renminbi while the financial statements of certain of our subsidiaries are measured and presented in foreign currencies. All the above-mentioned changes may affect the effectiveness of our hedging activities and we cannot assure you that we may be able to effectively hedge our foreign currency exposure, or at all.

Any loss of, or significant reduction in, the preferential tax treatment and government grants we currently enjoy, or our noncompliance with the relevant tax laws and regulations, may adversely affect our financial condition.

We and some of our subsidiaries are entitled to preferential tax treatment and government grants as prominent and new technology enterprises, allowing us to have a lower tax rate than would otherwise be available to us. Our effective income tax rates were 26.4%, 20.5% and 20.7% in 2016, 2017 and 2018, respectively. We plan to apply for the extension of such preferential tax treatment before expiration. However, there cannot be any assurance that we will be granted such extension, and, if we are not, it would result in an increase of our effective income tax rate. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on our results of operations.

We have received government grants in the form of subsidies in relation to our contribution to the local economies and our research and development projects. In 2016, 2017 and 2018, our government grants amounted to approximately RMB42.7 million, RMB43.9 million and RMB42.4 million, respectively. These government grants are mostly non-recurring in nature, and there can be no assurances that we will continue to receive similar levels of government grants, or at all. Any loss of, or reduction in, government grants may adversely affect our financial condition and results of operations. See note 7 to "Appendix I – Accountant's Report" for further details.

The amounts of, and conditions attached to, such preferential tax treatment or government grants are determined and paid at the sole discretion of the respective local government authorities. There can be no assurance that the amount of preferential tax treatment or government grants given to these subsidiaries in the past will be granted to them, or that the amount of any such grants will not be reduced in the future. Even if we continue to be eligible to receive such grants, there is no assurance that the grants will be unconditional or that any conditions attached to the grants will be as favorable to us as they have been historically. If such preferential tax treatment is amended, abolished or otherwise no longer granted to us, our after-tax financial results could be adversely affected.

We may not be able to successfully protect our intellectual property rights.

Our commercial success depends in part on our ability to obtain and maintain trade secrets, patents and other intellectual property rights for our products, technologies, designs and know-how as well as our ability to successfully protect our intellectual properties and to defend ourselves against third-party challenges.

We rely on trade secret protection and confidentiality and non-competition agreements to safeguard proprietary know-how that is not patentable or for which patents are difficult to enforce, and there is no assurance that we will be able to enter into new trade secret protection and confidentiality and non-competition agreements where necessary or desirable, or renew the existing ones upon their expiration. The departure of any of our personnel in possession of our sensitive and confidential proprietary information, or breach by any personnel management of his or her confidentiality and non-disclosure, or non-competition, undertaking to us, could compromise the protection of our intellectual property. If we fail to protect our intellectual property rights, we may lose our competitiveness, or be required to incur additional development or production costs to maintain our competitiveness. Our business and prospects may be harmed if we cannot adequately protect our intellectual property rights, and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

In addition, the protection of our intellectual property rights in China may not be as effective or certain as in more developed countries. Although the PRC has established laws and regulations to protect intellectual property rights, the enforcement of such laws and regulations may still be insufficient to render adequate protection of our intellectual property rights. Our business may be adversely affected if we are unable to effectively protect our patents from unauthorized use by third parties. In addition, if third parties unlawfully pass off their products as our products, we may face difficulties and costly litigation in enforcing our intellectual property rights. Moreover, there is no assurance that any patent or registered trademark owned by, or licensed to, us will be enforceable or will not be invalidated, circumvented or otherwise challenged in China or foreign countries or that the rights granted will provide competitive advantages to us or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

Our competitive position may be undermined if we do not adequately protect our intellectual property rights, which may have a material adverse effect on our business, results of operations and financial condition.

We may face claims for improperly using intellectual property owned by others or otherwise infringing their rights in intellectual property.

In the course of our business, we may receive claims of infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. If any claims are brought against us for such infringement, irrespective of whether they have merit, we could be required to expend significant resources in defending against such claims. The defense of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, we may compete with manufacturers that hold significant patent portfolios. As patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications that relate to our products or processes. If there is a successful claim of intellectual property infringement against us, we might be required to pay substantial damages to the party claiming infringement, refrain from further sale of our products, develop non-infringing technology or enter into costly royalty or license agreements on an ongoing basis. Parties asserting infringement claims may also be able to obtain an injunction against us, our distributors or our end-user customers regarding the products or services we offer that contain the allegedly infringing intellectual property. Protracted litigation could also discourage certain of our customers from purchasing our component products, even after the resolution of such litigation. For instance, we encountered a claim of intellectual property theft even though the claimant conceded that it has neither applied for patents nor filed any lawsuits against us. If any such claim against us has any merit, our brand recognition and business operations may be adversely affected.

Furthermore, we have historically obtained, and may continue to obtain, technologies and other intellectual properties from third parties through acquisition or licensing arrangements. We may not be familiar with the laws and regulations with respect to intellectual properties of foreign jurisdictions, and we cannot guarantee that there will not be any dispute between us and a foreign vendor of technologies, which may have a material and adverse effect on our business prospects, results of operations and financial condition. If we cannot use any of such technologies or intellectual properties as we expect, there could be a material adverse effect on our ability to keep up with technological developments. In addition, if we fail to maintain or renew any significant technology or other intellectual property licensing arrangements for any reason, our business, results of operations and financial condition will be materially and adversely affected.

Any of these events or occurrences may materially and adversely affect our business, financial condition and results of operations.

If we fail to protect or cultivate our brand image or enhance our brand recognition, our results of operations and market position may be adversely affected.

Maintaining and enhancing the recognition, image and acceptance of our brands is critical to our ability to differentiate our products and services from, and to compete effectively with, our competitors. The success of our brands depends on our design and marketing efforts, including advertising and consumer campaigns, and product innovation, as well as a number of factors that are beyond our control, such as different customer demand and changing market trends. Costs associated with the promotion of our brands can be significant, and we incur substantial expenses to establish our brands in new markets. Expenses related to the promotion of our brand may have an adverse impact on our results of operations if we do not produce the desired outcomes.

Our reputation could also be adversely impacted in the event of a significant product recall or product-related litigation. Given the association of our individual products with our overall brand, an issue with one of our products could negatively affect demand for our other products, or our reputation as a whole, which could have an adverse impact on our business, results of operations and financial condition. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products. Further, negative posts or comments about us on social networking platforms and other websites that spread rapidly through such forums could seriously damage our reputation and brand image.

If we are unable to maintain and enhance our brand recognition, our business, results of operations and financial condition could be adversely affected.

Any product recall could have a material and adverse impact on our results of operations, financial condition and growth prospects.

Like all other vehicle manufacturers in China, we are subject to the Regulation on the Administration of Recall of Defective Auto Products (缺陷汽車產品召回管理條例) promulgated by the State Council on October 22, 2012.

If any of our products prove to be defective, we may also need to recall and/or redesign such products. Recalls could involve significant expenses and take up the valuable time of our management, which could materially and adversely affect our business prospects, results of operations and financial condition. Although the suppliers of our various raw materials, parts and components are responsible for all expenses for recalls related to defects of such materials or components that they supply to us, there is no assurance that our suppliers will always be able to cover these expenses or sufficiently compensate us for any expenses incurred by us, if at all. As a result, we may have to bear all or a portion of the losses and expenses relating to any recall to the extent that such losses and expenses are not covered by our suppliers.

In addition, recalls may have a material adverse effect on customers' confidence in the quality and safety of our affected brands and our reputation and image, which could, in turn, reduce demand for our semi-trailers and truck bodies. Any recall by us could have a material and adverse impact on our sales and, in turn, our results of operations, financial condition and prospects. We have not suffered material losses from product recall or liability claims during the Track Record Period. However, the materialization of any of the above risks may result in material adverse effects on our business, results of operations and financial condition, as well as our brand image and reputation.

The use of the "CIMC" brand name by members of CIMC Group may expose us to reputational risks if these entities take actions that damage the "CIMC" brand name.

CIMC Group, our Controlling Shareholder, is a global leading equipment and solution provider in the logistics and energy industries. As the "CIMC" brand name is also used by members of CIMC Group, if any of these entities take any action that damages the "CIMC" brand name or corporate image, or if any material negative publicity is associated with any of these entities, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or corrupt practices engaged in by any directors, management personnel or employees, our reputation, business, growth prospects, results of operations and financial condition may be adversely affected.

Our operations require extensive governmental permits, licenses, approvals and certificates, the revocation, cancelation or non-renewal of which could significantly hinder our business and operations, and we are subject to periodic inspections, examinations, inquiries and audits by regulatory authorities.

We are required to obtain and maintain valid permits, licenses, certificates and approvals from various governmental authorities or institutions under relevant laws and regulations for some of our businesses, including, without limitation, our land use rights documents, planning permits, construction permits, and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses, approvals and certificates. We are also subject to routine or special inspections, examinations, inquiries and audits by governmental authorities at various levels as part of the process of maintaining or renewing our permits, licenses or certificates. If we fail to comply with any of the regulations or satisfy any of the conditions required for the maintenance of our permits, licenses, approvals and certificates, our permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any revocation or cancelation of our major permits, licenses, approvals and certificates. The government authorities could adopt more stringent industry policies, regulations and measures in the future. There is no assurance that we will be able to maintain or renew our existing permits, licenses, approvals and certificates or obtain future permits, licenses, approvals and certificates required for our continued operation on a timely basis, or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, approvals or certificates, our qualification to conduct our various businesses may be adversely impacted.

Our labor costs may increase for reasons such as the implementation of more stringent requirements regarding fixed-term employment, the minimum wage and paid annual leave.

In 2016, 2017 and 2018, our employee benefit expenses were RMB1,425.3 million, RMB1,590.6 million and RMB1,861.9 million, respectively.

The PRC government has continued to introduce various new labor-related regulations after the promulgation of the PRC Labor Contract Law, imposing greater obligations on employers and significantly affecting the cost of an employer's decision to reduce its workforce. Among other things, the paid annual provisions require that paid annual leave ranging from five to fifteen days be available to nearly all employees, and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions. According to the PRC Social Insurance Law (中華人民共和國社會保險法) and Regulations on Management of Housing Provident Fund (住房公積金管理條例), employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing provident fund and employers must, together with their employees or separately, pay for social insurance premiums and the housing provident fund for such employees.

As a result of the implementation of these rules and regulations, designed to enhance the standard of labor protection, our total labor costs have significantly increased in recent years and may continue to increase as a result of these, or similar, legislation changes or market dynamics. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, there can be no assurance that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigation.

We also conduct manufacturing, assembly and sale of our products in overseas countries and regions, some of which might be experiencing rapid social, political and economic change, which could bring about increased labor costs and other related costs that could make doing business in such countries less advantageous than in prior years. Increased labor costs in our overseas markets could adversely affect our business, results of operations and financial condition.

There have been instances of shortages in labor supply in industries, including manufacturing, in China and globally in recent years, and these are generally expected to increase. In the event of future labor shortages, we may have difficulties recruiting or retaining labor for our production facilities or may face increasing labor costs. In such event, our business and results of operations may be adversely affected.

If we fail to attract and retain directors, senior management and key technical, sales and experts in other fields, our business and prospects may be adversely affected.

We rely to a significant extent upon experienced and talented directors, senior managers and highly skilled personnel to operate our business and develop new products, especially during periods of rapid growth or technical change. In particular, our focus on introducing products with high quality, improved features and advanced manufacturing processes means that we must promptly recruit engineers and technical experts with expertise in cutting-edge technologies and relevant rich experiences. There is substantial competition for top research and development and engineering personnel in our industry, both in China and the overseas jurisdictions in which we operate, and there can be no assurance that we will be able to attract or retain such personnel.

The loss of the services of any of our directors, senior managers and highly skilled technical personnel without adequate replacement, or the limited ability to attract new qualified personnel, would have a material adverse effect on our business, results of operations and financial condition. High turnover of directors, senior management and technical personnel could adversely affect our existing customer relationships, our operations and our development as well as hinder our future recruiting efforts. In addition, we must successfully integrate any new management personnel in order to achieve our operating objectives. Changes in key management positions may temporarily affect our operations as new management will need time and further effort to become familiar with our business and our operations.

We expect to increase our effort to recruit, train and retain more industry and technical experts to fulfill our future business plans. If we are unable to recruit or retain experienced senior management and key technical experts in the future, our business operations will be adversely affected.

We are subject to environmental regulations and may be exposed to potential costs for environmental compliance or monetary damages, fines and other liabilities as well as negative publicity and damage to our brand name and reputation for environmental noncompliance.

We are subject to extensive national and local environmental laws and regulations governing pollution, noise emissions, hazardous substances, water and waste discharge and management, and other environmental matters relating to our properties and operations. Our products must comply with the applicable safety, exhaust and performance standards adopted by the respective jurisdictions into which we sell our products. We are also subject to periodic monitoring by environmental protection authorities in various jurisdictions.

For example, the construction and operation of our production facilities may have an impact on the environment. There is no assurance that our facilities and equipment will maintain a condition that continuously meets at all times all the standards under applicable environmental laws and regulations. Any violation of these laws and regulations may result in substantial fines, revocation of operating permits, shutdown of our facilities and obligations to take corrective measures.

Moreover, there is a growing global consumer focus on the environmental practices of manufacturers. Additionally, more stringent social responsibility laws and regulations may be adopted in the future, which may result in an increase in our cost of compliance. Compliance with such regulations is considered costly industry-wide. In the past, there have been cases where we found deficiencies in our environment law-related compliance practice, although none has resulted in a material adverse effect on our business or results of operations. See "Business–Environmental Matters." Any material failure to comply could subject us to fines, penalties, legal judgments or other costs, which may adversely affect our results of operations and financial condition.

Insurance coverage for our business, products and properties may not be sufficient.

We currently have insurance coverage for our properties, plant and equipment and inventories, which we consider to be exposed to major business risks. We do not, however, carry business interruption insurance and insurance in respect of certain risks that we believe are not insured under customary industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war and civil disorder. The development of the PRC insurance industry remains immature. As such, insurance companies in China offer a limited number of commercial insurance products. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. For the commercial insurance that we maintain, any uninsured loss or damage to property, litigation or business disruption may result in us incurring substantial costs or diverting our resources, which could have an adverse effect on our results of operations. Any risk that is not adequately covered by insurance, or incurred as our business operations are interrupted for a significant period of time, may have an adverse effect on our business, results of operations and financial condition.

Any interference to our rights to use the land or premises on which our production facilities, warehouses and office spaces are situated may negatively impact our business and results of operations.

As of December 31, 2018, in relation to our owned buildings, we were in the process of obtaining the building ownership certificates of 85 buildings with a gross floor area of approximately 548,350 square meters. As of December 31, 2018, in relation to our leased land and buildings, the relevant lessors did not possess, or provide us with, any title certificates for two parcels of land with a total area of approximately 2,093 square meters and eight leased buildings or units with an aggregate gross floor area of approximately 1,778 square meters. In addition, the land use right of another parcel of our leased land, with a site area of 200 square meters, had been allocated by government to the relevant lessor, who provided us the title certificate but failed to provide the relevant government approval for leasing. See "Business–Properties" for further details.

We may need to relocate or remove our existing sites, facilities and other assets due to failure to obtain title certificates of land and buildings, property leasing agreements, and/or other property or contractual rights to the land or premises on which our sites are situated. From time to time, we may also experience disputes or disagreements with landowners, lessors or local governments regarding the terms of the lease or the permitted use of certain premises, which can affect our ability to access and operate our sites. Further, landowners, lessors or local governments may choose not to renew leasing agreements with us or grant access to us. They may lose their rights to the land or premises or transfer their interests to third parties, or they may re-enter the land or premises, which could affect our ability to renew leasing agreements on commercially reasonable terms. In addition, there can be no assurance that the relevant government authorities will not amend or revise existing property laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we occupy. Many of our sites are located on premises we lease pursuant to long-term leasing agreements. Any interference to our rights to use the land and premises on which our sites are situated may have negative effects on our business, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct which may be committed by our employees or third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees, suppliers, agents, customers or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all noncompliance incidents or suspicious activities in a timely manner or at all.

Furthermore, bribery, including acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our agents or suppliers, in our ordinary course of business may be difficult to detect and the precautions we take to prevent and detect such activities may not be effective. Our failure to detect and prevent bribery and other misconduct may have a material adverse effect on our business and reputation.

CIMC, as our Controlling Shareholder, can exert significant influence on our Company and could cause our Company to act in a way that may not be in the best interests of our Company's minority Shareholders.

CIMC will be able to exercise approximately 53.82% of the voting rights of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Subject to our Articles of Association and applicable laws and regulations, CIMC could control or influence our Company's major policy decisions, including, but not limited to, those relating to our overall strategy and investment, such as:

- the selection of senior management members;
- the material business decisions of our Group;
- the approval or rejection of our dividend distribution plans; and
- the approval or rejection of our annual budget, investment, financing and operation plans.

To the extent that our Controlling Shareholder has interests that conflict with our other Shareholders, it may take actions in its capacity as the Controlling Shareholder that may not be in the best interests of our minority Shareholders.

Our goodwill may become impaired.

As of December 31, 2016, 2017 and 2018, we had goodwill in the amounts of RMB414.1 million, RMB421.1 million and RMB417.6 million, respectively. After initial recognition, we determine whether goodwill is impaired annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired based on an estimation of the value in use of the cash-generating units to which the goodwill is allocated. We cannot assure you that our goodwill will not be impaired in the future, in which case our results of operations may be materially and adversely affected.

Our deferred income tax assets are subject to future uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Therefore, actual results may differ from these accounting estimates. See note 35 of the Accountant's Report set out in Appendix I to this prospectus. As of December 31, 2016, 2017 and 2018, we recognized deferred income tax assets of RMB183.4 million, RMB202.7 million and RMB185.9 million, respectively. The temporary differences between the carrying amount of our assets and liabilities in the financial statements and their tax bases give rise to deferred income tax assets or liabilities. We recognize deferred income tax assets based on our estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future. If sufficient profits or taxable temporary differences are not expected to be generated or are less than expected, our deferred income tax assets should be reversed immediately.

We are exposed to credit risk.

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, trade and bill receivables, other receivables and financial guarantee contracts issued. To manage risk arising from cash and cash equivalents, and restricted cash, we only transact with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside the PRC. To manage risk arising from trade receivables, we have in place monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, we regularly review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are accounted for with respect to irrecoverable amounts. However, there is no assurance that we will be able to collect or settle all or any of our receivables in a timely manner, or at all. If any of our transaction partners face unexpected situations, including, but not limited to, financial difficulties, we may not be able to receive full or any payment of uncollected sums. Such default or delay in repayment may materially and adversely affect our business, financial condition and results of operations.

Moreover, we offer tripartite financing arrangements with certain PRC commercial banks or other non-bank financial institutions to our customers, which are qualified under the requirements from us and the commercial banks. There can be no assurance that such customers we offer tripartite financing arrangement to would not suffer any deteriorating financial situation or fail to meet the requirements we and the commercial banks imposed on them. If our customers default on such arrangements and we are required by the commercial banks to perform guarantor's duty under tripartite agreements, our business and operations may also suffer accordingly.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement with the use of significant unobservable inputs in the valuation techniques, and we are subject to risk due to exposure to derivative financial instruments.

During the Track Record Period, our financial instruments requiring level 3 measurements under the fair value classification primarily included bank wealth management products we purchased from financial institutions. As of December 31, 2016, 2017 and 2018, our financial asset at fair value through profit and loss amounted to nil, RMB408.0 million and nil, respectively, which were all classified as level 3 financial assets in terms of inputs to valuation techniques used to measure fair value. See note 3.3 of the Accountant's Report included in Appendix I to this prospectus for more details of fair value measurement.

The wealth management products are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements, and therefore directly affect our results of operations. We did not incur any fair value losses for financial assets at fair value through profit or loss during the Track Record Period. However, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We enter into interest rate and currency swap arrangements to mitigate floating investment rate exposure from long-term borrowings. As of December 31, 2016, 2017 and 2018, our total notional principal amount of outstanding contracts for interest rate and currency swaps was approximately RMB140.2 million, RMB130.7 million and RMB284.3 million, respectively, our derivative financial instruments assets amounted to RMB1.3 million, RMB1.5 million and RMB3.5 million, respectively, while our derivative financial instruments liabilities amounted to RMB4.2 million, RMB1.4 million and RMB0.4 million, respectively. However, we cannot assure you that we will not incur any such fair value losses in the future, under which our financial condition and prospects may be adversely affected.

Our operations are subject to operational hazards, adverse weather conditions, natural disasters and occupational hazards.

Some of our production facilities, raw materials, parts and components and certain finished products may be potentially destructive and dangerous under uncontrollable or catastrophic circumstances, including operational hazards, fires and explosions, as well as floods, earthquakes and major equipment failures, for which we cannot obtain insurance at a reasonable cost, or at all, or have enough insurance coverage. Our operations are also subject to a number of operational risks, some of which may be beyond our control. These operational risks include unexpected machinery maintenance of critical equipment that is essential to our operations. Should we experience machinery and equipment damage or failure and if we are unable to make the necessary repairs or replacements in a timely manner, our operations may be temporarily disrupted or suspended, which would lead to an increase in our labor costs or result in property damage, or affect our results of operations.

Moreover, we operate in an industry that involves occupational hazards. We may experience difficulties in operations as a result of factors including, but not limited to, adverse weather conditions, and failure of employees to follow proper safety procedures. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome, Middle East respiratory syndrome or avian influenza, could disrupt our manufacturing schedule and ordinary course of operations.

Many of our markets have experienced natural disasters such as earthquakes and floods in the past few years. Any future occurrence of severe natural disasters may materially and adversely affect the market's economy and therefore our business. There is no assurance that any future occurrence of operational hazards, adverse weather conditions, natural disasters and occupational hazards, or the measures taken by local or other governments in response to hazards, will not seriously disrupt our operations or those of our customers, which may have a material and adverse effect on our business and results of operations.

RISKS RELATING TO THE PRC

Changes in political or economic policies, and a slowdown in the PRC's economy, may have an adverse effect on our results of operations and financial condition.

A substantial portion of our business, assets and operations is located in China and a substantial part of our revenue is generated from products produced and sold in the PRC, and we expect this situation to continue in the near future. Demand for our semi-trailers and truck bodies correlates with the pace of economic growth in the PRC and, as a result, our results of operations and prospects are, and will continue to be, subject to political, economic and legal developments in the PRC to a significant degree. The PRC economy differs from the economies of developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, levels of development, growth rate, and control of foreign exchange. Although the PRC has been one of the world's fastest growing economies in recent years, as measured by GDP, such growth may not be sustainable in the future. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources, but some of these measures, such as the introduction of measures to control consumer prices, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, may lead to changes in market conditions and could materially and adversely affect our business, financial condition and results of operations. If the PRC economy experiences significant adverse changes due to any of the foregoing reasons, demand for our semi-trailers and truck bodies and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

A substantial portion of our business and operations is conducted in the PRC and is governed by PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, regulations and rules are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, regulations and rules may involve uncertainties and may not be as consistent or predictable as in other, more developed, jurisdictions. The legal protections available to us under these laws, regulations and rules may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there can be no assurance that the PRC government will not amend or revise existing laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements or conditions for the approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations and subject us to fines or penalties imposed by the PRC government. There can also be no assurance that the PRC government will not amend or revise existing laws, regulations or rules, or promulgate new laws, regulations or rules, that have a material and adverse effect on our business, operations, growth or prospects.

Government control over currency conversion and remittance of Renminbi into and out of the PRC may affect the value of our H Shares and may limit our ability to utilize our cash effectively.

Our consolidated financial statements are denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, the payment of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses (such as the repayment of loans denominated in foreign currencies), to make offshore investments or obtain low-cost funding from offshore sources. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions.

The foreign exchange control system may prevent us from distributing dividends to our Shareholders in foreign currencies or distributing dividends to our Shareholders in foreign jurisdictions. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or to otherwise fund business activities that we might conduct in foreign currencies.

Fluctuation in the exchange rates of Renminbi may have a material adverse effect on our investment.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of Renminbi against the Hong Kong dollar, the U.S. dollar and other foreign currencies.

To the extent that we need to convert Hong Kong dollars we receive from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profits as determined under PRC GAAP or IFRSs, whichever is lower, plus undistributed profit at the beginning of the period and less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that we have not recorded any profits. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Moreover, our operating subsidiaries and joint venture companies may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries or joint venture companies. Failure by our operating subsidiaries or joint venture companies to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Holders of H Shares may be subject to taxation in China.

Under the applicable PRC tax laws, the dividends we pay to a non-PRC resident individual holder of H Shares are subject to a 20% PRC individual income tax, unless reduced by an applicable double-taxation treaty. According to a notice issued by the SAT, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends and extra bonuses, withhold individual income tax at a rate of 10%.

Under the applicable PRC tax laws, the dividends we pay to, and the gains realized by, non-PRC resident enterprise holders of H Shares are subject to a 10% PRC enterprise income tax, unless reduced by an applicable double-taxation treaty.

There are significant uncertainties as to the interpretation and application of applicable PRC tax laws due to several factors, including the relatively short history of such laws. If the applicable tax laws and the interpretation or application with respect to such laws is changed in the future, individual holders of our H Shares may be subject to PRC income tax on gains realized through sale or transfer of the H Shares or by other means which they currently are not required to pay or which have not been collected by any PRC tax authority in practice.

It may be difficult to effect service of process upon, or to enforce judgments against, us, our Directors or members of our senior management.

Many of our Directors reside within the PRC, and the assets of most of our Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon those Directors and senior management members, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the US, the UK and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions are uncertain.

On July 14, 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement are still uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop and the trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

Prior to the Global Offering, there was no public market for our H Shares. There is no assurance that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. The Offer Price is expected to be fixed by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and us, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile, but not related to the operating performance of any particular company. Factors such as variations in our revenue, earnings and cash flow may affect the volume and price at which our H Shares are traded.

Holders of the Offer Shares are subject to the risk that the price of the Offer Share could fall during a gap between pricing and trading.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or another adverse development that could occur between the time of sale and the time trading begins.

As the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution. If we issue additional equity securities in the future, purchasers of our H Shares may experience further dilution in their ownership percentage.

The Offer Price of our H Shares is higher than the net tangible book value per Share issued to existing holders of our Shares. Therefore, all investors and purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value to HK$5.49 per Share (assuming an Offer Price of HK$7.23 per Offer Share, being the mid-point of our Offer Price range of HK$6.38 to HK$8.08 per Offer Share) and existing holders of our Shares will receive an increase in net tangible book value per Share of their Shares. If we issue additional equity securities or equity-linked securities in the future, investors and purchasers of Shares may experience further dilution in their ownership percentage.

Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares.

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time. In addition, Domestic Shares can be converted into H Shares after Listing subject to relevant laws and regulations and approvals. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversions or issuances may occur. This could also materially and adversely affect our ability to raise capital at a time and at a price we deem appropriate.

Our dividend distribution history may not be indicative of our dividend policy in the future.

In 2016, 2017 and 2018, we declared dividends of approximately RMB198.1 million, RMB1,122.8 million and RMB289.3 million, respectively. In addition, our Shareholders approved a dividend of approximately RMB400.0 million from our consolidated retained earnings as of December 31, 2018 to our existing Shareholders and we paid such dividend with our own cash by June 17, 2019. A declaration of dividends is proposed by our Board of Directors and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and any other factors from time to time deemed by our Board of Directors as important and relevant to the declaration or suspension of dividends. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to our Shareholders' approval. Accordingly, our historical dividend distribution policy is not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information–Dividend."

Our H Shares may be subject to cancelation or disciplinary proceedings if there is a breach by us of the Listing Rules or any undertakings which may have been given in favor of the Hong Kong Stock Exchange.

Upon the Listing, we will be required to comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of, or any circumstance which causes us to breach, the Listing Rules or such other undertakings which may have been given in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancelation or disciplinary proceedings in accordance with the Listing Rules.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

Prior to the publication of this prospectus, there have been press articles or other media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations, other forward-looking statements about us or information about our corporate investors, or of any assumptions underlying such projections, valuations, other forward-looking statements or information about our corporate investors, referred to by such press articles or other media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.

In preparation for the Listing, our Company has sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong.

Our Company does not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Listing Rules. Our Company's management, business operations and assets are principally based outside Hong Kong. Our Company's headquarters and senior management are primarily based outside Hong Kong. The management and operations of our Group have mainly been under the supervision of our executive Director, Mr. Li Guiping (李貴平), who is principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's businesses. Mr. Li Guiping (李貴平) is a PRC resident and it is necessary for him to remain in close proximity to our Group's substantial operations located in the PRC. Our Directors consider that the appointment of an additional executive Director residing in Hong Kong or the relocation of the executive Director to Hong Kong would be unduly burdensome and impractical and not be in the best interests of our Company and our Shareholders as a whole.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. Our Company will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: Our Company has appointed Mr. Li Guiping (李貴平), our Company's executive Director, and Ms. Ko Mei Ying (高美英), one of the joint company secretaries of our Company, as the authorized representatives (the "Authorized Representatives") for the purpose of Rules 3.05 and 19A.07 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange. Although Mr. Li Guiping (李貴平) resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Ms. Ko Mei Ying (高美英) ordinarily resides in Hong Kong. See "Directors, Supervisors and Senior Management" of this prospectus for more information about the Authorized Representatives.

2. **Directors**: Our Company will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, fax numbers, and email addresses) to the Authorized Representatives and to the Stock Exchange. This will ensure that the Authorized Representatives and the Stock Exchange will have the means to contact any of our Directors promptly as and when required, including when our Directors are traveling. To the best of our Company's knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period when required by the Stock Exchange.

3. **Compliance Advisor**: Our Company has appointed Haitong International Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

   Our Compliance Advisor will, among other things and in addition to the Authorized Representatives and our Directors, act as an additional channel of communication of our Company with the Stock Exchange and provide us with professional advice on continuing obligations under the Listing Rules during the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. Our Compliance Advisor will also provide advice to us when consulted by us in compliance with Rule 3A.23 of the Listing Rules. Our Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communications with the Stock Exchange when the Authorized Representatives and our Directors are not available. In turn, we will provide to our Compliance Advisor such information and assistance as our Compliance Advisor may need or may reasonably request in connection with the performance of our Compliance Advisor's duties. Our Company has provided the Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the officers of our Compliance Advisor who will act as our Compliance Advisor's contact persons with respect to matters between the Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

4. **Joint company secretaries**: Our Company has appointed Ms. Li Zhimin (李志敏) and Ms. Ko Mei Ying (高美英) as our joint company secretaries who were appointed on November 30, 2018 with their respective appointment taking effect on the Listing Date. Ms. Li Zhimin (李志敏) and Ms. Ko Mei Ying (高美英) will maintain constant contact with our Directors and senior management team members through various means.

   Meetings between the Stock Exchange and our Directors could be arranged through the Authorized Representatives, our Directors, our Compliance Advisor and/or the joint company secretaries within a reasonable time. Our Company will also ensure that there are adequate and efficient means of communications among our Company, the Authorized Representatives, our Directors and other officers, the joint company secretaries and our Compliance Advisor. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, our Directors, our Compliance Advisor and/or the joint company secretaries in accordance with the Listing Rules.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Pursuant to Rule 3.28 Note 2 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company appointed Ms. Li Zhimin (李志敏) and Ms. Ko Mei Ying (高美英) as joint company secretaries of our Company on November 30, 2018 with their respective appointment taking effect on the Listing Date. See "Directors, Supervisors and Senior Management" for further information regarding the qualifications of Ms. Li Zhimin (李志敏) and Ms. Ko Mei Ying (高美英).

Ms. Ko Mei Ying (高美英) is an associate of The Hong Kong Institute of Chartered Secretaries and Administrators and The Institute of Chartered Secretaries and Administrators and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, although Ms. Li Zhimin (李志敏) does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules and may not be able to solely satisfy the requirements of the Listing Rules, Ms. Li Zhimin (李志敏) has substantial experience in handling board, corporate management and administrative matters relating to our Company. Based on the above reasons, our Company applied for a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Li Zhimin (李志敏) may be appointed as a joint company secretary of our Company on the basis of the proposed arrangements below:

1. Ms. Ko Mei Ying (高美英) acts as one of our joint company secretaries and provides assistance to Ms. Li Zhimin (李志敏) for an initial period of three years from the Listing Date to enable Ms. Li Zhimin (李志敏) to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

2. Ms. Ko Mei Ying (高美英) will communicate regularly with Ms. Li Zhimin (李志敏) on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Ko Mei Ying (高美英) will work closely with, and provide assistance to, Ms. Li Zhimin (李志敏) in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings. Furthermore, both Ms. Li Zhimin (李志敏) and Ms. Ko Mei Ying (高美英) will seek and have access to advice from our Compliance Advisor and Hong Kong legal and other professional advisors as and when required.

3. Ms. Li Zhimin (李志敏) will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Li Zhimin (李志敏) has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer whose shares are listed on the Stock Exchange. In addition, Ms. Li Zhimin (李志敏) will endeavor to attend relevant trainings and familiarize herself with the Listing Rules and duties required for a company secretary of a PRC issuer whose shares are listed on the Stock Exchange.

4. Before the end of the initial three-year period, our Company will evaluate Ms. Li Zhimin (李志敏)'s experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a three-year waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Our Company will liaise with the Stock Exchange to assess whether Ms. Li Zhimin (李志敏) has acquired the relevant experience under Rule 3.28 of the Listing Rules before the end of the initial three-year period.

WAIVERS IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into and is expected to continue certain transactions after Listing that will constitute non-exempt continuing connected transactions of our Company subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules upon Listing. Accordingly, our Company has applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules in relation to the transactions under Deposit Service Framework Agreement, Procurement Framework Agreement, Provision of Products and Services Framework Agreement and Financial Guarantees Framework Agreement, respectively, for waivers from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules. The Stock Exchange has granted waivers from strict compliance with the announcement requirement in respect of the transactions under Deposit Service Framework Agreement, Procurement Framework Agreement, Provision of Products and Services Framework Agreement and Financial Guarantees Framework Agreement, respectively, subject to the condition that the total amount of transactions for each of the three years ending December 31, 2021 (and in respect of Deposit Service Framework Agreement, the total amount of transactions for the two years ending December 31, 2020) shall not exceed the proposed caps as set out in "Connected Transactions – Non-exempt Continuing Connected Transactions" in this prospectus.

The waiver granted by the Stock Exchange for the non-exempt continuing connected transactions under Deposit Service Framework Agreement will be for a period from the Listing Date up to the earlier of (a) one year after the Listing Date or (b) the first annual general meeting of our Company after the Listing. We will re-comply with the requirements under Chapter 14A of the Listing Rules after the expiry of the waiver.

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. However, pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(i) the issuer shall have an expected market capitalization at the time of listing of over HK$10 billion;

(ii) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(iii) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(iv) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(v) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage to be the higher of:

(i) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), which is expected to be 15.80% (rounded down to two decimal places); and

(ii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (as increased by our Shares to be issued upon exercise (full or partial) of the Over-allotment Option),

provided that the higher of (i) and (ii) above is below the minimum public requirement of 25% under Rule 8.08(1) of the Listing Rules.

In support of such application, our Company has confirmed to the Stock Exchange that:

1. our Company will have an expected market capitalization of over HK$10 billion upon Listing;

2. our Company will have sufficient number of H Shares and a board distribution thereof upon Listing enabling the market to operate properly with a lower percentage of public float;

3. our Company will make appropriate disclosure of the lower percentage of public float prescribed by the Stock Exchange in this prospectus;

4. our Company will as soon as practicable announce the percentage of Shares held by the public immediately after completion of the Global Offering (but before the exercise of the Over-allotment Option), such that the public will be informed of the minimum public float requirement applicable to the Company;

5. our Company will confirm sufficiency of public float in the successive annual reports of our Company after the Listing;

6. our Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Stock Exchange; and

7. our Company will continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE LISTING RULES

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountant's report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Our Company has entered into relevant equity transfer agreements in relation to the acquisition of 31.00% equity interest of Zhenjiang Technology on December 31, 2018 ("Post-TRP Acquisition") and the Post-TRP Acquisition is expected to be completed within 2019.

Based on the following reasons, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules:

(i) ***Immateriality of the Post-TRP Acquisition***: The scale of the businesses operated by Zhenjiang Technology as compared to that of our Group is not material. Applying the relevant size tests under Rule 14.07 of the Listing Rules by using the unaudited financial figures of Zhenjiang Technology and the audited financial figures of our Group for the year ended December 31, 2018, each of the applicable percentage ratios in relation to the Post-TRP Acquisition falls well below 5%, with the asset ratio at 0.06% and the revenue ratio at 0.002% (while profit ratio, consideration ratio and equity capital ratio are not applicable to the Post-TRP Acquisition). Given that the Post-TRP Acquisition, once completed, would not significantly affect the financial position of our Group as a whole and it is expected that Zhenjiang Technology will only be an insignificant subsidiary of our Group, our Company is of the view that the extra disclosure of historical financial information of Zhenjiang Technology in this prospectus would not add significant value to the Shareholders and our potential investors.

(ii) ***Undue burden to obtain and prepare historical financial information of the target company to be acquired***: As (i) our Group has not previously been involved in the day-to-day management of Zhenjiang Technology; (ii) the acquisition of Zhenjiang Technology has not been completed as of the Latest Practicable Date and our Group is not able to take control of Zhenjiang Technology, (iii) Zhenjiang Technology, with its assets accounting for approximately 0.06% of the total assets of our Group as of December 31, 2018 and its revenue accounting for approximately 0.002% of the total revenue of the Group for the year ended December 31, 2018, was only accounted by our Group as an insignificant investment in associates by using the equity method of accounting such that our Company and its reporting accountant did not previously have full access to the financial and accounting system of Zhenjiang Technology nor supporting documents for its accounting records, it will require considerable time, effort and resources for our Company and its reporting accountant to become fully familiar with the accounting policies of Zhenjiang Technology and to gather, audit and compile the necessary financial information of Zhenjiang Technology in accordance with the accounting policies of our Group for inclusion in the Accountant's Report in this prospectus, which is expected to be issued on June 27, 2019.

Accordingly, having considered the immateriality of Zhenjiang Technology as well as the time, effort and resources required to obtain, compile and audit such historical financial information in conformity with our Group's accounting policies, it would be unduly burdensome for our Group to prepare and include the full financial information of Zhenjiang Technology in this prospectus.

(iii) ***Disclosure of necessary information in this prospectus***: With a view of allowing potential investors to understand the Post-TRP Acquisition in greater detail, our Company will include in this prospectus the following information in relation to the relevant targets, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, including: (i) general description of the scope of principal business activities of Zhenjiang Technology and the counterparties, and financial information on Zhenjiang Technology available to our Company; (ii) the consideration of the transactions; (iii) the basis on which the consideration is determined; (iv) how the consideration will be satisfied and the payment terms; and (v) reasons for and benefits of the transactions.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PRC REGULATORY APPROVAL

We have obtained the approval from the CSRC dated March 12, 2019 for undertaking the Global Offering and the making of the application to list our H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering and for the Qualifying CIMC Shareholders under the Preferential Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering and the Preferential Offering.

The Hong Kong Offer Shares and the Reserved Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus. Further information regarding the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" and the procedures for applying for our Offer Shares are set out in "How to Apply for the Hong Kong Offer Shares and the Reserved Shares" in this prospectus and in the relevant Application Forms.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES AND THE RESERVED SHARES

The application procedures for the Hong Kong Offer Shares and the Reserved Shares are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering". Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue up to a total of 39,750,000 H Shares.

UNDERWRITING

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting" and is subject to the Hong Kong Underwriting Agreement entered into between, among others, our Company and the Hong Kong Underwriters) and the Offer Price to be agreed on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters.

If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on or before Wednesday, July 10, 2019, the Global Offering will not proceed. For further information about the Underwriters and the underwriting arrangements, see "Underwriting".

RESTRICTIONS ON THE OFFERING AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares (including the Reserved Shares) will be required to or be deemed by her/his acquisition of the Offer Shares to, confirm that she/he is aware of the restrictions on the offering and sale of the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares (including the Reserved Shares) or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares and the Reserved Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF OUR H SHARES ON THE STOCK EXCHANGE

Our Company have applied to the Listing Committee for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including our additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and our H Shares to be converted from the Unlisted Foreign Shares on the Main Board.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN OUR H SHARES

Dealings in our H Shares on the Stock Exchange are expected to commence on Thursday, July 11, 2019. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the H Share register of members of our Company in order to enable them to be traded on the Stock Exchange.

OUR H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

H SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the H Share register of members of our Company maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our register of members will also be maintained by us at our registered office address in the PRC.

Dealings in our H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by our Company, dividends payable in respect of our H Shares will be paid to our Shareholders listed on our H Share register in Hong Kong, by ordinary post, at our Shareholders' risk, to the registered address of each of our Shareholders.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF OUR H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by our H Shares holders thereof; and

(iv) authorizes us to enter into a contract on her/his/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in our H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our/their respective affiliates directors, supervisors, officers, employees, agents, advisors, representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, our H Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for convenience purpose, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.88046 to HK$1.00, being the exchange rate prevailing on June 17, 2019 published by the PBOC for foreign exchange transactions, (ii) the translations between US dollars, Renminbi and Hong Kong dollars were made at the rate of RMB6.9057 to US$1.00 and HK$7.8413 to US$1.00, being the noon buying rate in effect as of June 7, 2019 as set forth in the H.10 weekly statistical release of the United States Federal Reserve Board. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version shall prevail.

Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for reference only, and the names in their respective original languages shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. Li Guiping (李貴平)	Room 11B, Block 8 Region C, Coastal Rose Garden No. 1089 Wang Hai Road Nanshan District Shenzhen Guangdong PRC	Chinese
Non-executive Directors		
Mr. Mai Boliang (麥伯良)	Room 32C Tian Hai Hao Jing Yuan No. 44 Ai Rong Road Nanshan District Shenzhen Guangdong PRC	Chinese
Mr. Liu Dong (劉東)	Room 3202, Block 6 Fortune Hai Jing Garden No. 258 Pu Ming Road Pudong New District Shanghai PRC	Chinese
Mr. Chen Bo (陳波)	Room 202, Block 3 Hailin Ge No. 6 Shao Di Road Chiwan Nanshan District Shenzhen Guangdong PRC	Chinese
Ms. Zeng Beihua (曾北華)	Room 14B, Block 10 Mont Orchid Riverlet No. 11 Yan Shan Road Nanshan District Shenzhen Guangdong PRC	Chinese
Mr. Wang Yu (王宇)	Room 10D, Block 10 Mont Orchid Riverlet Phase 2 No. 6 Yan Shan Road Nanshan District Shenzhen Guangdong PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Feng Jinhua (豐金華)	Room 801, Unit 2 No. 12 Building Yuquan Xili Second District Shijingshan District Beijing PRC	Chinese
Mr. Fan Zhaoping (范肇平)	Room 602 Unit 3, Hailin Ge Chiwan Nanshan District Shenzhen Guangdong PRC	Chinese
Mr. Cheng Hok Kai Frederick (鄭學啟)	Flat C, 12th Floor 10 Lai Wan Road Mei Foo Sun Chuen Kowloon Hong Kong	UK
Supervisors		
Mr. Liu Hongqing (劉洪慶)	Room 1101, Block 12 Pinzun International No. 88 Mingyue Lake Road Hanjiang District Yangzhou Jiangsu PRC	Chinese
Mr. Liu Zhenhuan (劉震環)	Room 301, Block 1 Mingxi Valley No. 12 Gongye Sixth Road Nanshan District Shenzhen Guangdong PRC	Chinese
Mr. Li Xiaofu (李曉甫)	Room 1002, Unit B, Block 6 Jin Yu Shang Jun Garden No. 155 Bulong Road Longgang District Shenzhen Guangdong PRC	Chinese

See "Directors, Supervisors and Senior Management" for the biographies and other relevant information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Haitong International Capital Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Global Coordinators	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ICBC International Capital Limited 37/F ICBC Tower 3 Garden Road Hong Kong
	Nomura International (Hong Kong) Limited 30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
Joint Bookrunners	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ICBC International Capital Limited 37/F ICBC Tower 3 Garden Road Hong Kong
	Nomura International (Hong Kong) Limited 30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
	ING Bank N.V. Bijlmerplein 888 1102 MG, Amsterdam The Netherlands

Joint Lead Managers	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ICBC International Securities Limited 37/F ICBC Tower 3 Garden Road Hong Kong
	Nomura International (Hong Kong) Limited 30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
	ING Bank N.V. Bijlmerplein 888 1102 MG, Amsterdam The Netherlands
	GoldBridge Hong Kong Securities Limited Room 1002H, Admiralty Center Tower 1, 18 Harcourt Road Hong Kong
	Futu Securities International (Hong Kong) Limited Unit C1-2, 13/F, United Centre No. 95 Queensway, Hong Kong
Financial Advisor	**CMB International Capital Limited** 45th Floor, Champion Tower 3 Garden Road Central, Hong Kong
Auditor and Reporting Accountant	**PricewaterhouseCoopers** Certified Public Accountants 22/F, Prince's Building Central Hong Kong

Legal Advisors to our Company	*As to Hong Kong and United States Laws:* **Clifford Chance** 27th Floor, Jardine House One Connaught Place Hong Kong *As to PRC Laws:* **Shu Jin Law Firm** 12/F., Taiping Finance Tower 6001 Yitian Road Futian District Shenzhen Guangdong PRC
Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and United States Laws:* **Norton Rose Fulbright Hong Kong** 38/F Jardine House, 1 Connaught Place Central Hong Kong *As to PRC Laws:* **Jia Yuan Law Offices** F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing PRC Suite 2511, Landmark 4028 Jintian Road Futian District Shenzhen Guangdong PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai PRC
Property Valuer	**Cushman & Wakefield Limited** 16/F, Jardine House 1 Connaught Place Central Hong Kong

Compliance Advisor	**Haitong International Capital Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Receiving Banks	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15th Floor Standard Chartered Tower 388 Kwun Tong Road Hong Kong

Registered Office	No. 2 Gangwan Avenue Shekou Nanshan District Shenzhen Guangdong PRC
Headquarters	No. 2 Gangwan Avenue Shekou Nanshan District Shenzhen Guangdong PRC
Principal Place of Business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Our Website	**www.cimcvehiclesgroup.com** *(Information on this website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Li Zhimin (李志敏) Room 9B, Block E Ao Cheng Garden No. 15 Lantian Road Nanshan District Shenzhen Guangdong PRC Ms. Ko Mei Ying (高美英) *(ACIS; ACS; CPA)* 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	Mr. Li Guiping (李貴平) Room 11B, Block 8 Region C, Coastal Rose Garden No. 1089 Wang Hai Road Nanshan District Shenzhen Guangdong PRC
	Ms. Ko Mei Ying (高美英) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Cheng Hok Kai Frederick (鄭學啟) *(chairman)* Mr. Feng Jinhua (豐金華) Mr. Fan Zhaoping (范肇平)
Remuneration Committee	Mr. Fan Zhaoping (范肇平) *(chairman)* Ms. Zeng Beihua (曾北華) Mr. Feng Jinhua (豐金華)
Nomination Committee	Mr. Mai Boliang (麥伯良) *(chairman)* Mr. Feng Jinhua (豐金華) Mr. Fan Zhaoping (范肇平)
Strategy and Investment Committee	Mr. Liu Dong (劉東) *(chairman)* Mr. Wang Yu (王宇) Ms. Zeng Beihua (曾北華) Mr. Fan Zhaoping (范肇平)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

Principal Banks

ING Bank N.V., Hong Kong Branch
Level 8, Three Pacific Place
1 Queen's Road East
Hong Kong

Industrial and Commercial Bank of China, Shenzhen Shekou Sub-branch
173 Zhaoshang Road
Shekou
Nanshan District
Shenzhen
Guangdong
China

Standard Chartered Bank, Hong Kong Branch
11/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

Everbright Bank, Shenzhen Haibin Sub-branch
Everbright Bank
Meishu Lanshan Jia Yuan
Wenxin 2nd Road
Nanshan District
Shenzhen
Guangdong
China

Wells Fargo
21680 Gateway Center Dr Ste 200
Diamond Bar
CA 91765
United States

China Merchants Bank, Shenzhen Shekou Sub-branch
Merchants Building
Zhaoshang Road
Shekou
Nanshan District
Shenzhen
Guangdong
China

The information presented in this section is derived from the F&S Report, as well as various official or publicly available publications. The information derived from the F&S Report reflects estimates of the market conditions based on information from various sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, and the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering, except the Industry Consultant, have not independently verified, and make no representation as to, the accuracy of the information from official government or other third-party sources. Accordingly, the official government and other third-party sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after due and reasonable consideration, there is no adverse change in the market information since the date of the F&S Report up to the date of this prospectus which may qualify, conflict with or have a material impact on, the information in this section.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

We have commissioned Frost & Sullivan, an independent consulting firm which is engaged in the provision of market research and economic research consultancy services, to conduct a detailed analysis of, and prepare the F&S Report on, the global, PRC, North American and European semi-trailer markets and the PRC truck body market. We have agreed to pay Frost & Sullivan a total fee of RMB833,000 for the preparation of the F&S Report.

In compiling and preparing the F&S Report, Frost & Sullivan conducted primary research, including telephone and face-to-face interviews with industry participants, as well as secondary research, including reviewing industry publications, annual reports and data based on its own database. Frost & Sullivan has prepared the F&S Report on the assumptions that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers remain relevant and applicable over the forecast period from 2018 to 2022. The reliability of the F&S Report may be affected by the accuracy of the foregoing assumptions.

OVERVIEW OF GLOBAL, PRC, NORTH AMERICAN AND EUROPEAN SEMI-TRAILER MARKETS

A trailer is a type of motorless special-purpose vehicle, which needs be connected with a motor vehicle that provides motive power to transport goods and cargo. Depending on the position of the axles installed on the trailers, trailers can be classified into three categories, semi-trailers, center-axle trailers and draw-bar trailers.

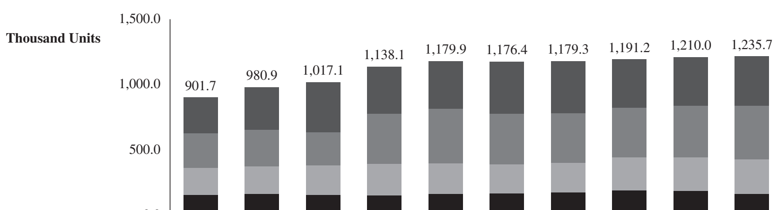
Semi-trailers: A semi-trailer's axle is located behind the center of gravity and, therefore, a semi-trailer can only stand independently when equipped with a landing gear or connected with a motor vehicle. The motor vehicle, normally a tractor unit, provides motive power and supports a proportion of the weight of the semi-trailer.

Center-axle Trailers: A center-axle trailer's axle is located near the center of gravity. Compared to that connected with a semi-trailer, the motor vehicle connected with a center-axle trailer supports only a small proportion of the weight of the center-axle trailer.

Draw-bar Trailers: A draw-bar trailer has at least two axles, with one axle installed at the front and the other at the rear end, respectively. A draw-bar trailer can stand without a landing gear and without being connected with a motor vehicle. The motor vehicle only provides motive power but normally does not support any weight of the draw-bar trailer.

Global Sales Volume of Semi-trailers

Benefiting from global economic growth, in particular the growing PRC and Indian economies with active construction activities, the sales volume of semi-trailers increased from 901,700 units in 2013 to 1.2 million units in 2017, representing a CAGR of 7.0%. In 2018, it is expected that the sales volume of semi-trailers in China and Europe will decrease, which will adversely impact the semi-trailer industry globally. However, the global sales volume is expected to gradually increase afterwards, driven by the anticipated economic recovery in both China and Europe. The following table sets forth a breakdown of the global sales volume of semi-trailers by region from 2013 to 2022:



	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Global	901.7	980.9	1,017.1	1,138.1	1,179.9	1,176.4	1,179.3	1,191.2	1,210.0	1,235.7
■ North America	275.0	327.2	381.6	361.7	364.9	401.8	398.2	367.9	372.5	376.3
■ China	265.3	279.1	253.8	385.2	417.3	387.0	378.0	383.0	393.0	412.0
■ Europe	204.6	213.1	226.8	238.5	233.6	220.4	228.8	249.2	260.4	266.0
■ Rest of the World	156.9	161.5	155.4	152.6	164.2	167.2	174.3	191.1	184.1	181.5

CAGR	2013-2017	2017-2022E
Global	7.0%	1.0%
China	12.0%	-0.3%
North America	7.3%	0.6%
Europe	3.4%	2.6%

Source: Frost & Sullivan

China

Driven by the overall economic development, the sales volume of semi-trailers in China increased from 265,300 units in 2013 to 417,300 units in 2017 at a CAGR of 12.0%. In 2015, the sales volume of semi-trailers decreased to 253,800 units as China's economic growth slowed down. However, the implementation of GB1589-2016 in 2016 created replacement demand for semi-trailers that did not meet the new size, axle load and technical requirements. Accordingly, the sales volume of semi-trailers in China increased in 2016 and 2017. As obsolete semi-trailers have largely been replaced, the sales volume in 2018 is expected to decline and will continue to decrease to 378,000 units in 2019. However, the sales volume of semi-trailers is expected to increase in 2020 and to reach 412,000 units in 2022, driven by the expected economic growth.

North America

The sales volume of semi-trailers in North America grew from 275,000 units in 2013 to 364,900 units in 2017 with a CAGR of 7.3%, mainly driven by the US demand. It is expected that the US trade policy that affects the export and import of commodities such as agricultural products, aluminum and steel will continue to be enforced, and the growth of the US manufacturing industries, especially the automotive industry, will slow down, which will dampen demand for semi-trailers in the US. Accordingly, the sales volume of semi-trailers in North America in 2022 is forecast to be around 376,300 units, representing a much lower CAGR of 0.6% for the years from 2017 to 2022 as compared to that for the years from 2013 to 2017. However, as the expected increase in market demand for transporting temperature-sensitive goods, such as frozen food, will remain relatively stable in North America, it is expected that the sales volume of refrigerated trailers in North America will continue to grow from 44,200 units in 2017 to 49,100 units in 2019 and further to 54,600 units in 2022, representing a CAGR of 4.3% from 2017 to 2022. Furthermore, the sales volume of chassis trailers in North America is expected to decline in 2019 and 2020 following an anticipated peak in 2018, and then gradually increase to 45,900 units in 2022, primarily attributable to the replacement demand, which represents a CAGR of 4.7% from 2017 to 2022.

Europe

Supported by stable economic growth since 2013 and the increasing replacement demand, the sales volume of semi-trailers increased continuously in the past several years in Europe. From 2013 to 2017, the sales volume of semi-trailers increased from 204,600 units to 233,600 units at a CAGR of 3.4%. It is expected that the impact of the uncertainty associated with Brexit on the market demand for semi-trailers will be transient and may slightly dampen the market demand in 2018. However, benefiting from the expected economic growth and stable demand from the construction and transportation industries in Europe, the sales volume of semi-trailers is expected to reach 266,000 units in 2022 at a CAGR of 2.6% from 2017 to 2022, among which the sales volume of curtain-side trailers in Europe is expected to grow from 106,000 units in 2017 to 116,800 units in 2022, representing a CAGR of 2.0%. The sales volume of refrigerated trailers in Europe is expected to grow from 31,500 units in 2017 to 40,100 units in 2022, representing a CAGR of 4.9%, generally in line with the growing demand for transporting temperature-sensitive food, such as meat, fish and dairy products, as a result of local consumption lifestyle, and the wider application of refrigerated trailers for transporting temperature-sensitive pharmaceutical products.

Competitive Landscape

Global Ranking by Sales Volume

The global semi-trailer market is relatively concentrated in terms of market share by sales volume. In 2017, the sales volume of the top five semi-trailer manufacturers in the global market reached 343,300 units in total, accounting for a combined market share of 29.1%. In 2017, our Group ranked first in terms of sales volume of semi-trailers globally, which reached 121,736 units and represented a market share of 10.3%. The following table sets forth the top five semi-trailer manufacturers in the world in terms of sales volume in 2017:

Ranking	Company Name	Country	Sales Volume (Thousand Units)	Market Share by Sales Volume (%) (2017)	Main Products
1	Our Group	China	121.7	10.3%	Chassis and flatbed trailers, fence trailers, van trailers, refrigerated trailers and tank trailers
2	Company A	Germany	61.3	5.2%	Van trailers, refrigerated trailers, and chassis and flatbed trailers
3	Company B	US	60.3	5.1%	Van trailers, refrigerated trailers, and chassis and flatbed trailers
4	Company C	US	54.0	4.6%	Van trailers, refrigerated trailers and tank trailers
5	Company D	US	46.0	3.9%	Van trailers, refrigerated trailers, and chassis and flatbed trailers

Source: Frost & Sullivan

PRC Ranking by Sales Volume

The PRC semi-trailer market is relatively concentrated in terms of market share by sales volume. In 2017, the sales volume of the top five semi-trailer manufacturers in the PRC market reached 116,800 units in total, accounting for a combined market share of 28.0%. In 2017, our Group ranked first in terms of sales volume of semi-trailers in China, which reached 65,446 units and represented a market share of 15.7%. The following table sets forth the top five semi-trailer manufacturers in China in terms of sales volume in 2017:

Ranking	Company Name	Country	Sales Volume (Thousand Units)	Market Share by Sales Volume (%) (2017)	Main Products
1	Our Group	China	65.4	15.7%	Chassis and flatbed trailers, fence trailers and tank trailers
2	Company E	China	18.7	4.5%	Fence trailers and flatbed trailers
3	Company F	China	15.0	3.6%	Fence trailers, and chassis and flatbed trailers
4	Company G	China	9.8	2.3%	Fence trailers and flatbed trailers
5	Company H	China	7.9	1.9%	Fence trailers and flatbed trailers

Source: Frost & Sullivan

North American Ranking by Sales Volume

The North American semi-trailer market is concentrated in terms of market share by sales volume. In 2017, the sales volume of the top five semi-trailers manufacturers in the North American market reached 245,100 units in total, accounting for a combined market share of 67.2%. In 2017, our Group ranked fifth in North America with our sales volume reaching 41,402 units, accounting for a market share of 11.4%. The following table sets forth the top five semi-trailer manufacturers in North America in terms of sales volume in 2017:

Ranking	Company Name	Country	Sales Volume (Thousand Units)	Market Share by Sales Volume (%) (2017)	Main Products
1	Company B	US	60.3	16.5%	Van trailers, refrigerated trailers, and chassis and flatbed trailers
2	Company C	US	54.0	14.8%	Van trailers, refrigerated trailers and tank trailers
3	Company D	US	46.0	12.6%	Van trailers, refrigerated trailers, and chassis and flatbed trailers
4	Company I	US	43.4	11.9%	Van trailers, refrigerated trailers, and chassis and flatbed trailers
5	Our Group	China	41.4	11.4%	Chassis trailers, dry van trailers and refrigerated trailers

Source: Frost & Sullivan

European Ranking by Sales Volume

The European semi-trailer market is concentrated in terms of market share by sales volume. In 2017, the sales volume of the top five semi-trailer manufacturers in the European market reached 146,800 units in total, accounting for a combined market share of 62.9%. In 2017, the sales volume of semi-trailers of our Group in Europe reached 8,385 units, which accounted for a market share of 3.6%. The following table sets forth the top five semi-trailer manufacturers in Europe in terms of sales volume in 2017:

Ranking	Company Name	Country	Sales Volume (Thousand Units)	Market Share by Sales Volume (%) (2017)	Main Products
1	Company A	Germany	61.3	26.2%	Van trailers, refrigerated trailers, and chassis and flatbed trailers
2	Company J	Germany	46.0	19.7%	Van trailers, refrigerated trailers and curtain-side trailers
3	Company K	Germany	16.5	7.1%	Van trailers and flatbed trailers
4	Company L	Poland	13.0	5.6%	Van trailers, and chassis and flatbed trailers
5	Company M	Turkey	10.0	4.3%	Van trailers and tank trailers

Source: Frost & Sullivan

Key Market Drivers

Stable growth momentum for global economy and downstream markets

Over the past few years, the global economy has continued its growth momentum, underlying the expansion of the semi-trailer industry and its downstream markets. The downstream markets of the semi-trailer industry are broad and diverse, including cement, oil and gas, poultry, cold-chain logistics, e-commerce, construction and others. Generally, fence trailers, tank trailers, chassis and flatbed trailers, van trailers, and refrigerated trailers are the most common types of vehicles used in the said downstream markets, and there was a significant increase in their sales volume from 2013 to 2017. This was mainly attributable to a growing volume of freight, driven by the surge of e-commerce sales, infrastructure and increasing demand from other industries. Going forward, it is expected that demand from downstream markets, such as e-commerce and construction industries, will continue to grow, mainly due to increasing penetration of mobile internet, changing consumption behavior in rural areas, as well as ongoing urbanization along with infrastructure and housing development.

Improving traffic and road infrastructure

Many countries have been investing in traffic and road infrastructure in order to improve transportation and logistics capacity. Road transport has become more flexible, efficient, and cost-effective as numerous new routes are built to reach more destinations, which offer more transport capacity among localities where rail, air, and water transport is absent, and provide door-to-door transportation with a wide variety of goods. Thus, the demand for road transport with improved traffic and road infrastructure has arisen, benefiting the semi-trailer industry.

Upgrades in utility and capability of semi-trailers

Due to evolving customer needs and a changing technological and political environment, semi-trailers are continuously upgraded to be more functionable and capable, especially in developing countries such as China. For example, the Chinese government implemented GB1589-2016 in 2016 to eliminate those semi-trailers that are not qualified in terms of size, axle load, and technical requirements. The acceleration of the replacement process has increased the demand for more up-to-date semi-trailers and benefited the PRC semi-trailer industry in recent years. In addition, the national standard GB7258-2017 Technical Specifications for Safety of Power-driven Vehicles Operating on Roads (機動車運行安全技術條件) was issued in September 2017, which specified new technical requirements for semi-trailers, including installation of disc brake and air suspension systems on certain semi-trailers such as flatbed trailers with three axles and fence trailers. These new statutory requirements will become effective from January 2020 after a transition period, which will create future demand for the replacement of non-qualifying semi-trailers. The replacement process is also expected in other developing countries, and it is expected that there will be increasing demand for semi-trailers in many other developing countries, which will lead to a growing sales volume of semi-trailers globally. For example, the Indian government has promulgated new rules governing car carrier sizes, and the Mexican government has also made efforts to change and update the regulation that establishes the weights and measures of vehicles and loads. The evolving political environment and industry standards have continuously supported the growth of the semi-trailer industry. Therefore, our Group is conducting preliminary research into the possibility of entering into other emerging markets, such as Mexico.

Key Market Trends

Improvements and adoption of intelligent applications and autonomous driving technologies. Intelligent applications have been improved and widely adopted in various aspects of the semi-trailer industry, including intelligent manufacturing, route planning, and vehicle monitoring and control. For intelligent manufacturing, semi-trailer manufacturers have been investing extensively in research and development on intelligent manufacturing equipment to enhance their competitiveness in product design and manufacturing. Automated equipment and modularized designs are being adopted to produce semi-trailers. Also, digitalization creates innovative communication between vehicles and drivers. Smart route planning as well as intelligent vehicle monitoring and control solutions are expected to be achieved in the short or medium term. In addition, autonomous driving technologies have been progressing towards real-life applications. It is expected that self-driving vehicles may be commercialized within a decade.

Offering of custom-built semi-trailers to satisfy diverse demand. In the past, a large number of semi-trailers were used improperly to transport goods. For instance, cargo trailers were used to transport liquid and gaseous commodities which should be carried by liquid tank trailers, and van trailers were used to transport frozen foods which should be carried by refrigerated trailers. Nowadays, due to evolving industry requirements and specification standards for semi-trailers, semi-trailer manufacturers produce more specialized semi-trailers that are designed to serve specific purposes. This trend is expected to continue within a changing industrial and political environment. In China, for instance, driven by the growth in e-commerce and faster-paced construction, demand for fence trailers, refrigerated trailers, and tank trailers and others is stronger as compared to other countries.

Promising growth in semi-trailer fleet rentals and leasing in China and other emerging markets. To meet the fluctuating demand and reduce upfront expenses, customers such as logistics companies have increasingly adopted semi-trailer rentals and leasing to manage their fleet. They thereby benefit from more flexibility in terms of when to increase or decrease their number of semi-trailers, how to finance the fleet, and having access to semi-trailers with up-to-date technologies. In addition, the penetration rate of semi-trailer fleet rentals and leasing is relatively low in developing counties, which have large potential for the development of rentals and leasings.

Entry Barriers and Challenges

Transformation to technology-driven manufacturers. With the advancement of technology, semi-trailer manufacturers are progressing to transform from traditional manufacturers to modern technology-driven manufacturers. Intelligent sensors and automated equipment are expected to be installed on semi-trailers. Thus, to maintain competitive strength, semi-trailer manufacturers face the challenge of building research and development centers for intelligence technology and to cooperate with intelligence solution suppliers. In addition, environmental protection is an important issue in the manufacturing industry. Semi-trailer manufacturers who aim to develop as large-scale and well-known manufacturers with social responsibility will consider environmental protection requirements as essential elements when they make decisions on technological issues.

Increasing labor cost. To retain experienced technicians, semi-trailer manufacturers may need to pay higher salaries. The increasing labor cost is a challenge for semi-trailer manufacturers to maintain sustainable development.

Ability to follow regulations. Regulatory requirements and industry standards around the globe will affect market entry for semi-trailer manufacturers. For example, Market Access Regulations for Specialty Vehicles and Trailers (專用汽車和掛車生產企業及產品准入管理規則) in China imposes standards of the products and rules to enter the market. New entrants are required to follow the regulations and to be listed on Announcement on Enterprises and Products of Road Vehicles (道路機動車輛生產企業及產品公告) to obtain qualification for production. New semi-trailer products should also be listed on such announcement to obtain qualification for sale. In addition, semi-trailer manufacturers are required to comply with environmental protection regulations.

OVERVIEW OF PRC TRUCK BODY MARKET

Major Types of Truck Bodies

A specialty vehicle is designed to serve certain commercial purposes. Truck bodies, such as dump beds and mixers, are normally installed on truck chassis to form specialty vehicles for cargo transportation and other uses.

Tankers for tanker trucks: A tanker is a cylinder container used to transport liquid, gas or powder materials, such as cement and grain, which is installed on a truck chassis to form a tanker truck. Major types of tanker trucks include mixer trucks, fuel tankers and liquefied gas tankers. Tanker trucks are commonly used in the chemical and construction industries.

Dump beds for dump trucks: A dump bed, installed on a truck chassis to form a dump truck, is normally an open box that holds cargo and waste and has a hydraulic lifting system, which is used to unload goods by inclining the carriage. Dump trucks are mainly used in the construction and environmental sanitation industries. Major types of dump trucks include swept-body dump trucks, van-body dump trucks, and garbage dump trucks.

Vans for van trucks: A van is a closed carriage installed on a truck chassis to form a van truck. Van trucks are widely used in the logistics industry. Major types of van trucks include refrigerated van trucks, explosives van trucks, and corrosive material van trucks.

Key Market Drivers

In recent years, the PRC economy witnessed solid and steady growth, which has benefited a variety of industries, including the truck body sector. More recently, housing investment increased, primarily due to prosperity experienced in the real estate market in 2016, which boosted the demand for mixer trucks and dump trucks as a whole. The expanding coverage of air, sea and rail logistics networks has also led to the increased sales volume of truck bodies as demand for road transport largely grows in proportion to the development of other transportation modes.

Sales Volume of Mixers for Mixer Trucks: Influenced by the slowdown in the housing market and overall economic growth in China, the sales volume of mixers in China decreased from 55,700 units in 2013 to 21,600 units in 2016. The real estate industry experienced another round of growth in 2016, followed by an upswing in the construction industry in 2017. As a result, the sales volume of mixers in China increased by 109.8% to 45,400 units in 2017 as compared to 2016.

Benefiting from the continuing growth in the real estate and construction industries in 2016 and 2017, the sales volume of mixers in China is expected to reach 60,000 units in 2018. Considering that the large amount of purchase in 2017 and 2018 will lead to a relatively saturated market, the sales volume of mixers in 2019 is expected to decline and to further decrease to 47,000 units in 2022, representing a CAGR of 0.7% from 2017 to 2022.

Sales volume of mixers for mixer trucks in China, 2013-2022E

Sources: China Automotive Technology and Research Center, Frost & Sullivan

Sales Volume of Dump Beds for Dump Trucks: Due to the slowdown of economic growth, fewer construction projects and the decline in iron ore and coal production volume due to stricter environmental regulations, the sales volume of dump beds in China decreased from 388,000 units in 2013 to 98,600 units in 2015. However, with the implementation of the "Western Development Strategy" and the "Belt and Road Initiative", which directly boosted infrastructure construction in 2016 and 2017, the demand for dump beds started to grow and the sales volume of dump beds in China increased by 82.7% to 272,200 units in 2017 from 2016.

Going forward, it is expected that the continuously increasing number of infrastructure projects will increase the demand for dump trucks and the implementation of China VI Emission Standard expected in 2019 will speed up the replacement of dump trucks. As a result, the sales volume of dump beds is expected to increase to 391,000 units in 2019. As the market for dump trucks is expected to be gradually saturated after 2019, and policies promulgated by the PRC government in 2018 to encourage the usage of railway transportation in lieu of road transportation for bulk commodities, such as coal, coke and ores are expected to have a more significant adverse effect on the demand for road transportation starting from 2020 in line with the expected completion of railway construction projects, the sales volume of dump beds is expected to decline gradually from 2019 to 2022.

Sales volume of dump beds for dump trucks in China, 2013-2022E

Sources: China Automotive Technology and Research Center, Frost & Sullivan

Key Market Trends

- ***Electrified and intelligent technologies.*** The electrification of vehicles in China is a clear trend driven by the development of electrified technology and favorable policies and regulations. With strong support from the Chinese government, many domestic manufacturers actively promote electrification of commercial vehicles, including a wide range of specialty vehicles.

- ***Operating leasing and sharing.*** The operating leasing of specialty vehicles is expected to further develop, as it provides a flexible option for lessees to rent for a shorter term. Operating leasing will gradually become a more widely accepted option for customers.

- ***After-sales services.*** With the growing competition in the truck body market, truck body manufacturers will improve the quality of their after-sales services, including spare parts delivery, training, modification, inspection, and repair and maintenance, in order to expand customer base and enhance the loyalty of existing customers.

Entry Barriers and Challenges

- ***Provision of upscale products.*** Intelligence and light weight are two major directions for the development of truck bodies due to the increasing demand for safety, efficiency, low cost and environmental protection. While there are many players in the truck body industry, more demanding technology requirements will be a major challenge for most existing players to develop sustainably and also an entry barrier for potential new entrants.

- ***Ability to operate business sustainably.*** Truck body manufacturers are required to invest a large amount of capital to purchase property, plant, and equipment at the initial stage of development and continuously invest in research and development. Only the truck body manufacturers who are able to reach economies of scale to make profits and maintain daily operation can develop sustainably.

- ***Qualification barrier.*** Truck body manufacturers should comply with the Market Access Regulations for Specialty Vehicles and Trailers (專用汽車和掛車生產企業及產品准入管理規則) to get production permits and qualifications. Apart from the qualifications for enterprises, qualifications for products are also required for manufacturing a truck body. To obtain the qualifications, applicants should submit a series of application materials to prove their abilities to design, manufacture, and provide after-sales services, among others. Certain existing truck body manufacturers that fail to obtain the qualifications may be forced to leave the industry, which promotes the safety of products and standardization of the market.

Competitive Landscape

The PRC truck body market is fragmented as there are approximately 1,000 manufacturers since the requirements for manufacturing different truck bodies may vary significantly, which leads to more concentrated sub-markets in terms of certain truck body types, such as mixers for mixer trucks and dump beds for dump trucks. None of the manufacturers is considered to have a leading position in the overall market.

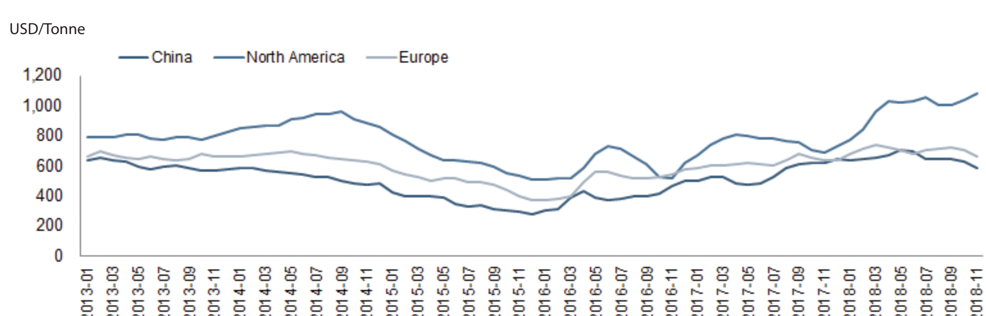
In the market of mixers for mixer trucks, well-known manufacturers include Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司), Tangshan Yate Special Vehicles Co. Ltd. (唐山亞特專用汽車有限公司) and Hubei Chusheng Special Purpose Vehicle Co., Ltd. (湖北楚勝專用汽車有限公司), among others.

In the market of dump beds for dump trucks, well-known enterprises include Sunhunk Heavy Industries Group (新宏昌重工集團), Chitian Automobile Co., Ltd. (馳田汽車有限公司), Junton Specialty Vehicle Co., Ltd. (河南駿通車輛有限公司), among others.

RAW MATERIAL ANALYSIS

The major raw materials used in the production of our semi-trailers and truck bodies and their parts and components include steel, rubber and other synthetic materials. The fluctuation in the cost of raw materials directly affects our cost structure and product pricing. The following chart sets forth historical prices of major raw materials for semi-trailer and truck body products for the periods indicated, which summarizes the monthly price of steel plates in China, North America and Europe from 2013 to 2018:

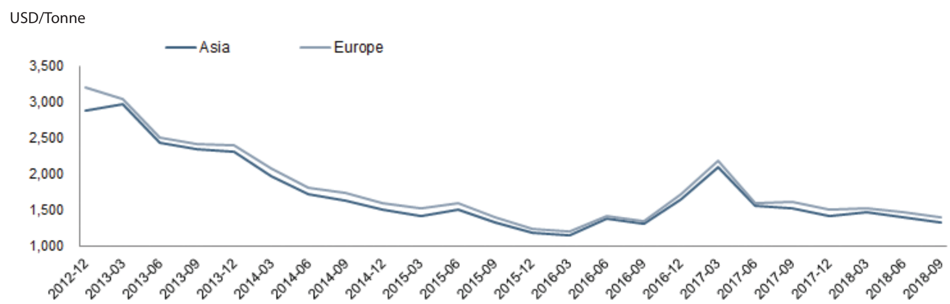
Monthly Price of Steel Plates, 2013-2018



Source: Frost & Sullivan

The following graph summarizes the quarterly price of natural rubber in Asia and Europe from 2013 to 2018:

Quarterly Price of Natural Rubber, 2013-2018

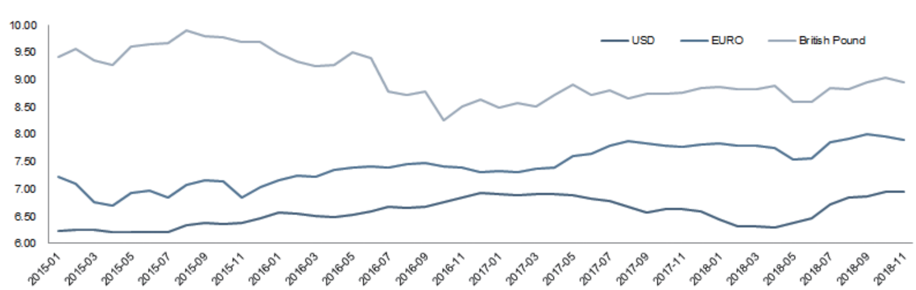


Source: Frost & Sullivan

Globally, the price of steel plates has fluctuated during the past several years, primarily due to the supply and demand relationship worldwide. Rubber is another key material of our products. Southeast Asia is the most important production area of natural rubber in the world, accounting for almost 90% of global total production. Except during the second half of 2016 and early 2017, when the price of natural rubber significantly increased as a result of a series of natural disasters in Thailand, the price of natural rubber decreased, due primarily to the continuous increase in natural rubber production.

EXCHANGE RATE ANALYSIS

The following graph summarizes the fluctuations of the US dollar, the Euro and the British Pound against the Renminbi:



Source: Frost & Sullivan

The monthly average exchange rate of the US dollar, the Euro and the British Pound against the Renminbi has fluctuated during the past three years, mainly due to changes in the political and economic conditions of relevant countries.

See "Financial Information – Major Factors Affecting Our Results of Operations – Foreign Currency Fluctuations" for a detailed analysis of the impact of foreign currency fluctuations on our operations.

APPLICABLE LAWS AND REGULATIONS IN THE PRC

Laws and Regulations in Relation to the Foreign Investment

Catalog of Industries for Guiding Foreign Investment and Provisions on Guiding Foreign Investment Direction

Investment in the PRC conducted by foreign investors and foreign-invested enterprises shall comply with the Catalog of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the "Foreign Investment Catalog"), which was jointly promulgated by the MOFCOM and the NDRC and amended from time to time. The Foreign Investment Catalog contains specific provisions guiding market access of foreign capital, stipulating in detail different areas of entry pertaining to the categories, which includes encouraged foreign-invested industries, restricted foreign invested industries and prohibited foreign investment industries.

Pursuant to the Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) which was promulgated by the State Council on February 11, 2002, projects with foreign investment shall fall into either one of the four categories, namely encouraged, permitted, restricted or prohibited ones. Projects with foreign investment that are encouraged, restricted or prohibited shall be listed in the Foreign Investment Catalog. Projects with foreign investment that are not listed as encouraged, restricted or prohibited projects are permitted projects. Permitted projects with foreign investment shall not be listed in the Foreign Investment Catalog.

Special Management Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)) (the "Negative List") was jointly promulgated by the MOFCOM and the NDRC on June 28, 2018 and became effective on July 28, 2018. The Negative List provides that for the manufacturing of motor vehicles other than specialty vehicles and new energy vehicles, the Chinese party shall have a stake of not less than 50%, and the same foreign investor may establish not more than two equity joint ventures manufacturing the same line of motor vehicle products in China. For commercial vehicles, the restrictions on foreign stakes will be canceled in 2020. In 2022, the restrictions on foreign stakes for the manufacturing of passenger vehicles will be canceled, and the restriction that the same foreign investor may establish not more than two equity joint ventures manufacturing the same line of motor vehicle products in China will be canceled.

Filing Regime

The Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the "Measures"), which was promulgated by the MOFCOM on October 8, 2016 and most recently amended on June 29, 2018 and became effective on June 30, 2018, further simplifies the formation and modification procedure for foreign-invested enterprises. The Measures shall apply to the formation and modification of foreign-invested enterprises which does not involve the implementation of special administrative measures for access as prescribed by the national government. According to the Measures, where a foreign-invested enterprise which is subject to recordation as prescribed in the Measures undergoes any of the specified modifications, the foreign-invested enterprise shall, within 30 days after the occurrence of the modification, submit the modification for recordation.

Laws and Regulations in Relation to the Production and Manufacturing of Transportation Vehicles and Special Transportation Vehicles

Policy on Development of Automotive Industry

The Policy on Development of Automotive Industry (汽車產業發展政策), which was promulgated by the NDRC and became effective on May 21, 2004, provides that any road motor vehicle product that complies with the provisions of admission control system and the mandatory requirements of the relevant regulations and technical specifications, and that has passed the compulsory certification on products, shall enter into the Public Notice on Road Motor Vehicle Production Enterprises and Products (道路機動車輛生產企業及產品公告) (the "Public Notice") promulgated jointly by the NDRC (Note: subsequently changed to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "MII")) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). The products within the Public Notice shall bear the mark of China Compulsory Certification (3C).

Administrative Rules on the Entry of Specialty Vehicle and Trailer Manufacturers and Products

In accordance with the Administrative Rules on the Entry of Specialty Vehicle and Trailer Manufacturers and Products (專用汽車和掛車生產企業及產品准入管理規則) (the "Administrative Rules") which was promulgated by the MII on June 18, 2009 and became effective on July 1, 2009, those enterprises who engage in the manufacture of specialty vehicle shall satisfy the qualification requirements set out therein and obtain entry permissions for such enterprises and products from the MII.

Provisions on the Administration of Compulsory Product Certification

Provisions on the Administration of Compulsory Product Certification (強制性產品認證管理規定), which was promulgated on July 3, 2009 and became effective on September 1, 2009, provides that automotive products (including imported automobiles) shall undergo compulsory certification conducted by certification institutions designated by the State in accordance with nationally approved safety and technology standards. Only automotive products certified by certification institutions designated by the national government with officially awarded PRC compulsory product certification may be marketed in and imported into the PRC.

Regulation on the Administration of Recall of Defective Auto Products

Regulation on the Administration of Recall of Defective Auto Products (缺陷汽車產品召回管理條例) (the "Recall Administrative Regulation"), which was promulgated by the State Council on October 22, 2012 and most recently amended on March 2, 2019 provides that when a dealer engaging in the selling, leasing or repair of auto products becomes aware of any defects in an auto products, it shall immediately stop selling, leasing or using such defective auto products and assist the manufacturer with implementing a recall. A dealer shall report to the product quality supervision department of the State Council and notify the manufacturer of relevant information on possible defects in auto products of which it becomes aware. A dealer shall, in accordance with the provisions of the product quality supervision department of the State Council, establish and preserve records of relevant auto product information for a period of not less than five years.

Pursuant to the Recall Administrative Regulation, when a manufacturer becomes aware of any possible defects in its auto products, it shall immediately organize an investigation and analysis and truthfully report the results of investigation and analysis to the product quality supervision department of the State Council. When a manufacturer confirms that there is a defect in its auto products, it shall immediately stop manufacturing, selling and importing defective auto products and implement a recall. Manufacturers shall establish and preserve records of information on the design, manufacturing, labeling and inspection, among others, of auto products, as well as records on the initial purchasers of auto products for a period of not less than ten years.

Laws and Regulations in Relation to Production Safety

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) (the "Production Safety Law") which was promulgated by the SCNPC on June 29, 2002, most recently amended on August 31, 2014 and became effective on December 1, 2014, any entity engaging in manufacturing must meet national or industry standards regarding safety production and provide qualified working conditions required by laws, administrative rules and the national or industry standards. Any production entity that fails to provide the required safe working conditions may not engage in production activities.

Enterprises are required to set up and maintain appropriate equipment, monitor the safety of production procedures, assign designated personnel, conduct workplace safety training and undertake all other measures required by the law to ensure the safety of employees and the general public. Violation of the Production Safety Law may result in fines, penalties, suspension, termination of operations, or even criminal liability in severe cases.

Laws and Regulations in Relation to Intellectual Property Rights

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) (the "Patent Law") promulgated on March 12, 1984 with the most recent amendment effective on October 1, 2009, and the Implementing Regulations of the Patent Law of the PRC (中華人民共和國專利法實施細則) promulgated on June 15, 2001 and most recently amended on January 9, 2010, an inventor or a designer may apply for the grant of an invention patent, an utility model patent or a design patent. According to the Patent Law, the right to apply for a patent (a patent application) and a registered patent can both be transferred upon completion of registration with the authority. The patent right duration is 20 years for invention and 10 years for utility and design, counted from the date of application. A patentee is obligated to pay an annual fee beginning with the year in which the patent right was granted. Failure to pay the annual fee may result in termination of the patent right before the expiration of its duration.

Trademark

The Trademark Law of the PRC (中華人民共和國商標法) (the "Trademark Law") was promulgated on August 23, 1982 and most recently amended on August 30, 2013 and became effective on May 1, 2014. The Implementing Regulations of the Trademark Law of the PRC (中華人民共和國商標法實施條例) was promulgated on August 3, 2002 by the State Council and most recently amended on April 29, 2014 and became effective on May 1, 2014. These current effective laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC, covering registered trademarks including commodity trademarks, service trademarks, collective marks and certificate marks. Trademarks are granted for a term of 10 years commencing on its filing date. Twelve months prior to the expiration of the 10-year term, an applicant may renew the trademark for another 10 years.

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法) which was promulgated on September 7, 1990 and amended on February 26, 2010 and come into effect from April 1, 2010, protects copyright and explicitly covers the copyright of computer software and art works.

The Regulation on the Protection of Computer Software (計算機軟件保護條例), which was promulgated on December 20, 2001, amended on January 30, 2013, and came into force on March 1, 2013, protects the rights and interests of computer software copyright holders and encourages the development of the software industry and information economy. In the PRC, software developed by Chinese citizens, legal persons or other organizations are automatically protected immediately after its development, whether published or not.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Implementing Rules of Domain Name Registration (域名註冊實施細則) issued by the China Internet Network Information Center (中國互聯網絡信息中心) (the "CINIC") which became effective on May 29, 2012, and the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) were issued by MII on August 24, 2017 and became effective on November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Laws and Regulations in Relation to Environment Protection

General Regulations

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated on December 26, 1989 and amended on April 24, 2014 by the SCNPC, provides that enterprises causing environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities.

Environmental Impact Appraisal

The Law of the PRC on the Appraising of Environmental Impacts (中華人民共和國環境影響評價法) was promulgated by the SCNPC on October 28, 2002, and most recently amended, and became effective on December 29, 2018. The Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) were promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017. The Interim Measures for the Acceptance Inspections of Environment Protection Facilities of Construction Projects (建設項目竣工環境保護驗收暫行辦法) were promulgated by the Ministry of Environmental Protection of the PRC on November 20, 2017. Such laws and regulation require enterprises that are planning construction projects to provide assessment reports, statements or registration forms on the environmental impact of such projects. The assessment reports and statements must be approved by the competent environmental protection authorities prior to commencement of any construction work, while the registration forms shall be filed to them. Unless otherwise stipulated by laws and regulations, enterprises which are required to provide assessment reports and statements shall undertake the responsibility of acceptance inspections of the environmental protection facilities itself upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination. The competent authorities may carry out spot checks on and supervision of the implementation of the environmental protection facilities.

Laws and Regulations in Relation to Taxation

Enterprise Income Tax

According to the EIT Law which was promulgated by the National People's Congress of the PRC on March 16, 2007 and most recently amended by the SCNPC on December 29, 2018, and its Implementing Regulations (中華人民共和國企業所得稅法實施條例) which were promulgated by the State Council on December 6, 2007 and most recently amended on April 23, 2019, enterprises are classified into resident enterprises and nonresident enterprises. According to the EIT law and its Implementing Regulations, resident enterprises are eligible for a unified EIT rate of 25%.

Pursuant to the newly revised Administrative Measures for the Accreditation of High-tech Enterprises (高新技術企業認定管理辦法) (the "Administrative Measures") which became effective on January 1, 2016, high-tech enterprises, which are recognized in accordance with the Administrative Measures, may apply for the tax preferential policy in accordance with the EIT Law and the Implementing Measures thereof, the Law of PRC Concerning the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and the Implementing Rules of the Law of the PRC Concerning the Administration of Tax Collection (中華人民共和國稅收徵收管理法實施細則). Qualifying high-tech enterprises would be taxed at a rate of 15% on EIT.

In accordance to Article 2 of Notice on Taxation Policy Issues Concerning the In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告) issued by the MOF and SAT, qualified income under the Catalog of Encouraged Industries in the Western Region (西部地區鼓勵類產業目錄) is entitled to a 15% preferential tax rate.

Value-added Tax

Pursuant to the Interim Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值税暫行條例) which were promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017, and its implementing rules (中華人民共和國增值税暫行條例實施細則) which were promulgated by the MOF on December 25, 1993 and most recently amended on October 28, 2011, taxpayers engaging in the sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the "VAT"). Unless stated otherwise, the rate of VAT is 17%.

The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、税務總局關於調整增值税税率的通知), which was promulgated on April 4, 2018 and became effective on May 1, 2018, provides that tax rates of 17%/11% applicable to any taxpayer's VAT-taxable sale or import of goods shall be adjusted to 16%/10%, respectively. According to the Announcement on Policies for Deepening the VAT Reform (關於深化增值税改革有關政策的公告) which became effective on April 1, 2019, the then applicable rate of 16%/10% for general VAT payers' sales activities or imports is adjusted to 13%/9%, respectively.

Transitioning from Business Tax to Value-added Tax

The Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知) was promulgated on March 23, 2016. Upon approval of the State Council, the pilot program of replacing business tax with VAT shall be promoted nationwide in an all-round manner on May 1, 2016, and all taxpayers of business tax engaged in the modern service industry shall be included in the scope of the pilot program with regard to payment of VAT in lieu of business tax. Pursuant to the Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulation of the PRC on Value-Added Tax (國務院關於廢止《中華人民共和國營業税暫行條例》和修改《中華人民共和國增值税暫行條例》的決定) promulgated by the State Council on November 19, 2017, the business tax had been abolished.

Laws and Regulations in Relation to Dividend Distribution

According to the EIT Law and its implementing rules, dividends paid to investors of an eligible PRC resident enterprise can be exempted from the EIT and dividends paid to foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC government provide otherwise.

Tax Treaties

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "Arrangement") on August 21, 2006. According to the Arrangement, a withholding tax rate of 5% shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and a withholding tax rate of 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Notice on the Issues Concerning the Application of the Dividend Clauses of Tax Arrangement (關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reach a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to obtaining the dividends, reach a percentage specified in the tax agreement.

According to the Administrative Measures on Tax Convention Treatment for Nonresident Taxpayers (非居民納稅人享受稅收協定待遇管理辦法) (the "Tax Convention Treatment"), which were promulgated by the SAT on August 27, 2015 and became effective on November 1, 2015, where a nonresident enterprise receives dividends from a PRC resident enterprise, it could directly enjoy the favorable tax benefits under the tax arrangements at tax returns, and subject to the follow-up administration by tax authority. Under the Tax Convention Treatment, when the nonresident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such nonresident taxpayers and withholding agents will be subject to follow-up administration by the tax authority.

Laws and Regulations in Relation to Labor

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法) promulgated on July 5, 1994 with effect from January 1, 1995, and most recently amended on December 29, 2018, as well as the Labor Contract Law of the PRC (中華人民共和國勞動合同法) promulgated on June 29, 2007, amended on December 28, 2012 and which became effective from July 1, 2013, as well as the Implementation Regulations of the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例) which was promulgated on 18 September 2008, if an employment relationship is established between an entity and its employees, written labor contracts shall be executed between them. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wage. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC government on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and became effective on 1 July 2011, and was most recently amended on 29 December 2018, all employees are required to participate in basic pension insurance, basic medical insurance schemes and unemployment insurance, which must be contributed to by both employers and employees. All employees are required to participate in work-related injury insurance and maternity insurance schemes, which must be contributed to by the employers. Employers are required to complete registrations with local social insurance authorities.

Moreover, employers shall make all social insurance contributions as scheduled. Except for mandatory exceptions such as force majeure, social insurance premiums may not be delayed, reduced or exempted. Where an employer fails to make social insurance contributions in full and on time, the social insurance fund contribution collection agencies shall order it to make all or outstanding contributions within a prescribed period and impose a late payment fee at a rate of 0.05% per day of the outstanding amount from the date on which the contribution became due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times that of the overdue amount.

Pursuant to the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例) effective from April 3, 1999, and most recently amended on March 24, 2019, enterprises are required to register with the competent administrative centers of housing provident fund and open bank accounts for housing provident funds for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall be not less than 5% of the average monthly salary of the employees in the previous year. Employers are also required to timely pay all housing fund contributions for their employees. Where an employer fails to submit and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit. Failure to do so by the expiration of the time limit will subject the employer to a fine of not less than RMB10,000 and up to RMB50,000. When an employer fails to pay the housing provident fund due in full and on time, the housing provident fund center is entitled to order it to rectify; failure to do so would result in enforcement exerted by the court.

APPLICABLE LAWS AND REGULATIONS IN THE US

United States Automotive Regulatory Framework

The automotive industry in the United States is primarily regulated by the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and the California Air Resources Board (CARB). These three entities collectively set standards for ensuring the safety and environmental compliance of both light and heavy-duty vehicles as they are sold in the U.S. commerce and operated on U.S. roads. Our chassis trailers, dry van trailers and refrigerated trailers are sold in the U.S. market. The laws and regulations described below lay out the legal framework relating to these products.

Major Regulatory Authorities

Major regulatory authorities of the U.S. automotive industry include:

DOT

The National Highway Traffic Safety Administration (NHTSA) is the agency within the DOT tasked with developing safety standards for motor vehicles and motor vehicle equipment operating on public highways in the United States; developing vehicle fuel economy standards; and enforcing these standards through reporting and recall requirements.

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is the agency within the DOT tasked with setting and enforcing standards related to the transportation of hazardous materials by road, rail, and air within, to, and from the United States.

EPA

EPA is the agency responsible for protecting the U.S. environment by setting and enforcing standards for air quality, water quality, hazardous waste management, contamination cleanup actions, and more. Regarding motor vehicles, EPA sets limits for vehicle emissions for greenhouse gases (GHG) and other air pollutants. EPA also regulates the sale and use of refrigerants, particularly with respect to ozone-depleting substances.

CARB

CARB is the agency responsible for setting and enforcing air quality standards, including vehicle emission standards, within the state of California. A number of other U.S. states have adopted California's more stringent standards.

Major Laws and Regulations Regarding the U.S. Automotive Industry

Vehicle Safety Act

The National Traffic and Motor Vehicle Safety Act and the Highway Safety Act were first passed in 1966 and were aimed at reducing traffic accidents and resulting deaths and injuries. The Act created NHTSA and gave it the authority to establish federal motor vehicle safety standards (FMVSS) and other safety regulations. It has been updated several times and can currently be found at 49 U.S.C. § 30101, *et seq.* Key regulatory provisions issued under the authority of the Vehicle Safety Act that apply to semi-truck chassis and trailer manufacturers include the following:

Federal Motor Vehicle Safety Standards

Motor vehicle and motor vehicle equipment manufacturers must self-certify compliance with FMVSS. The federal regulations provide detailed specifications for vehicle components ranging from lighting to impact protection to door locks and are contained in 49 CFR Part 571. FMVSS applicable to heavy-duty truck and trailer manufacturers include, among others:

- Standard No. 105: Hydraulic and electric brake systems

- Standard No. 108: Lamps, reflective devices, and associated equipment

- Standard No. 120: Tire selection and rims and motor home/recreation vehicle load carrying capacity information for motor vehicles with a gross vehicle weight rating (GVWR) of more than 4,536 kilograms (10,000 pounds)

- Standard No. 121: Air brake systems

- Standard No. 223: Rear impact guards
- Standard No. 224: Rear impact protection

Manufacturers who manufacture only a portion of a completed vehicle (incomplete vehicle manufacturers or intermediate manufacturers) are responsible for providing an incomplete vehicle document that describes whether the vehicle or vehicle components comply with all applicable FMVSS under 49 CFR Part 568. Incomplete vehicle documents must include: (1) the name and mailing address of the incomplete vehicle manufacturer, (2) the month and year of manufacture, (3) identification of the incomplete vehicle at issue by vehicle identification number (VIN), (4) the GVWR, (5) the gross axle weight rating (GAWR), (6) the vehicle type (e.g., bus, trailer, truck) of which the incomplete vehicle will form part, and (7) a list of each standard that applies to the vehicle type, along with a statement of whether the standard has been met or conditions under which it will be met, or a statement that compliance cannot be determined based on the state of the vehicle.

Vehicle Safety Certification Requirements

In addition to self-certifying that their vehicles and equipment comply with all applicable FMVSS, motor vehicle and motor vehicle equipment manufacturers must affix certification labels to their vehicles or equipment, consistent with 49 CFR Part 567. These labels must include, among other information: (1) the name of the manufacturer, (2) the month and year of manufacture, (3) the GVWR and GAWR, (4) a statement that the vehicle complies with all applicable motor vehicle safety standards (and depending on vehicle weight, bumper and theft prevention standards), (5) the VIN, and (6) the vehicle classification (e.g., truck, bus, trailer).

As above, incomplete vehicle manufacturers or intermediate manufacturers retain responsibility for certification of the components or systems they install. These manufacturers must also affix certification labels to their incomplete vehicles setting out: (1) the name of the manufacturer, (2) the month and year of manufacture, (3) the GVWR and GAWR, and (4) the VIN.

Safety Reporting and Recall Requirements

The Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act, passed in 2000, requires that manufacturers submit safety defect and noncompliance reports to NHTSA. The law has since been incorporated into the Vehicle Safety Act (described above) and NHTSA has issued regulations consisted with its requirements in 49 CFR Parts 573, 577, and 579. The Act's major components include:

- Reporting obligations regarding any defects or noncompliance with applicable FMVSS, any safety recalls or other safety campaigns conducted in the U.S. or in foreign countries, and periodic updates on the progress of remedies;
- "Early Warning" reporting obligations regarding possible defects in vehicles or equipment, as evidenced by performance issues, property damage, warranty claims, consumer complaints, field reports, and reports of injury or death; and

- Criminal liability where a manufacturer intentionally violates these reporting requirements and a safety-related defect subsequently results in death or serious bodily injury.

Moreover, the Fixing America's Surface Transportation (FAST) Act was passed in 2015 and increased the maximum civil penalty that may be imposed against automakers for safety-related defects from US$35 million to US$105 million. The FAST Act also improved NHTSA's ability to recall unsafe vehicles.

Hazardous Materials Transportation Act and Regulations

The Hazardous Materials Transportation Act was passed in 1975 and was designed to protect against risks to persons, property, and the environment from the transportation of hazardous materials in U.S. commerce. The Act authorizes DOT and PHMSA to develop hazardous materials regulations (HMR) that can be found at 49 CFR Parts 171 – 180. The HMR apply to, among others, entities who manufacture packaging or components that are represented, marked, certified, or sold as qualified to transport hazardous materials. The HMR provide detailed specifications for shipping containers on topics including, among others, marking and labeling, material quality, and testing requirements.

Federal Fuel Economy and Emissions Standards

In addition to setting vehicle safety standards and certification requirements, NHTSA works with EPA to establish fuel economy standards. EPA further establishes emissions limits for GHGs and other air pollutants. Manufacturers of heavy-duty engines/vehicles must annually apply for certification from EPA that they meet applicable emissions standards. The agencies may also conduct audits, verification testing, and/or field inspections to verify the data provided by manufacturers. EPA requires emission-related defect reporting and has the authority to order recalls for noncompliance.

The most recent regulations relating to heavy-duty fuel efficiency and GHG standards for combination tractors and trailers were issued in 2016. However, the current administration has proposed changes in their application to heavy-duty glider vehicles and trailers, and to related fuel economy and GHG standards for light-duty vehicles.

CARB State Emissions Standards

Under Section 209(b) of the Clean Air Act, California has authority to set its own standards relating to the control of emissions from motor vehicles and engines. The California Air Resources Board (CARB) therefore provides a separate set of limitations for GHG, evaporative, and criteria pollutant emissions under the California Code of Regulations. CARB requires emission warranty information reporting and has the authority to order recalls for noncompliance. A number of other states have also chosen to adopt CARB's more stringent emissions standards.

APPLICABLE LAWS AND REGULATIONS IN THE UK

The material laws and regulations in the UK applicable to SDC Trailers in relation to its operation, namely the manufacture of new trailers, the sale of new and secondhand trailers and the provision of maintenance and repair services, are set out below. The list excludes the laws that generally apply to companies in the UK, including among others, employment, health and safety, tax, data protection, anti-bribery, environmental protection, competition, and intellectual property laws.

Rules Specific to Trailer Manufacturing

Directive 96/53/EC

Council Directive No. 96/53/EC laying down for certain road vehicles circulating within the community the maximum authorized dimensions in national and international traffic and the maximum authorized weights in international traffic (Directive 96/53/EC) sets maximum limits for international and national traffic on the dimensions of goods vehicles weighing more than 3,500kg and passenger vehicles carrying more than nine people, as well as certain other weight and vehicle characteristics. Vehicles that exceed these prescriptions may not use the roads of an EU country for international transport without special permits and EU countries may not set lower limits, with some exceptions made for small villages or special places of interest, for example. These were transposed into UK law by amendments to the Road Vehicles (Construction and Use) Regulations 1986.

The Road Vehicles (Construction and Use) Regulations 1986, as amended (the 1986 C&U Regulations)

The 1986 C&U Regulations cover the design, manufacture, maintenance and use of motor vehicles and trailers used by road transport operators, among others. This includes brakes, steering, vision, instruments and equipment, protective systems including alarms and the control of emissions, as well as the use of handheld mobile telephone or similar devices. The 1986 C&U Regulations also set out the technical requirements that vehicles and trailers must meet in order to be used lawfully on public roads (such as the type of braking systems or the condition of the vehicle's tires).

Manufacturer's Plating of Goods Vehicles and Trailers

All new goods vehicles and new trailers over 1,020kg unladen weight must be fitted with a plate by the manufacturer (manufacturer's plate) showing the manufacturer's name, date of manufacture, vehicle type, engine type and power rating (on vehicle plates only), chassis or serial number, number of axles, maximum weight allowed on each axle, maximum gross weight and maximum train weight. The weights stated on the manufacturer's plate are those at which the manufacturer has designed the vehicle to operate within. Where these weights exceed those permitted by law (i.e. the 1986 C&U Regulations) then, until such time as the vehicle is plated by the Driver & Vehicle Standards Agency (DVSA), the lower statutory weight limits apply. Conversely, if the manufacturer's design weight is lower than that permitted by law for the type of vehicle, it is the lower limit set by the manufacturer's design that applies.

Vehicle dimensions

In accordance with Directive 96/53/EC, goods vehicles over 3,500kg gross weight and trailers manufactured since 31 May 1998 must also be fitted with a plate showing their length, width and the distance between the front of the vehicle and the coupling device or, for a trailer, the distance from the coupling device to the rear of the trailer. This information may be on a separate plate or included instead on either the manufacturer's plate or a Ministry plate (as defined below). Vehicles manufactured since October 24, 2014 and trailers manufactured since October 29, 2012 that are subject to Whole Vehicle Type Approval (described below) have these details included on the Ministry plate issued after first registration.

Ministry Plating of Vehicles and Trailers

Subject to certain exemptions, goods vehicles over 3,500kg maximum gross weight, drawbar trailers over 1,020kg unladen weight, and converter dollies, must have a Department for Transport plate (Ministry plate) securely fixed in a prominent position in the cab, or elsewhere on the vehicle if a cab is not fitted. The gross weight, the axle weights and the train weight (if any) as shown on the plate and the accompanying plating certificate must not be exceeded.

The Goods Vehicle (Plating and Testing) Regulations 1988 as amended (Plating Certificate Regulations)

The Plating Certificate Regulations apply, subject to certain exemptions, to all goods vehicles over 3,500kg gross vehicle weight, articulated vehicles, drawbar trailers over 1,020kg unladen weight and converter dollies, and provide a framework for the plating certification process. Under the Plating Certificate Regulations, goods vehicles must be submitted for periodic tests to ensure they comply with the relevant provisions of the 1986 C&U Regulations as well as the 1989 Lighting Regulations (as defined below). The vehicles receive the Ministry plate described above following certification.

The Road Vehicles (Authorized Weight) Regulations 1998, as amended (the 1998 Weight Regulations)

The 1998 Weight Regulations allow the gross weights of goods vehicles operating within the UK to come into line with weights laid down in Directive 85/3/EEC (now replaced by Directive 96/53/EEC). The 1998 Weight Regulations provide both a method for calculating the maximum weight and a set of figures that must not be exceeded whatever the result of the calculation.

Road Vehicles Lighting Regulations 1989 (the 1989 Lighting Regulations)

The 1989 Lighting Regulations specify certain requirements for the installation and positioning of front, side and rear lighting and reflectors for all vehicles, including trailers, on the road within the UK.

The Road Vehicles (Authorization of Special Types) (General) Order 2003

Specially constructed goods vehicles, known as special type vehicles, are available for the carriage of abnormal, indivisible loads of a size and/or weight that cannot be carried within the terms of the 1986 C&U Regulations or the 1998 Weight Regulations. These vehicles operate under the Road Vehicles (Authorization of Special Types) (General) Order 2003 (STGO).

Identification numbers and application for permission to supply new-build trailers

Trailers that are subject to type approval in the UK (see below) must be fitted with UK trailer identification (ID) numbers before entering service. Manufacturers must apply for a trailer identification number to be allocated to new-build trailers before they enter into service. The manufacturer or "final supplier" is required to obtain a Consent to Supply authorization, which includes a trailer ID number, from the DVSA before supplying these trailers to the operator.

Type Approval

Directive 2007/46/EC, which established a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (as amended, the Framework Directive) introduced a Europe-wide certification scheme for all commercial vehicles, including among other things, small and large trailers. The Framework Directive sets out the safety and environmental requirements that motor vehicles have to comply with before being placed on the EU market. These standards make certain features mandatory, such as electronic stability control; daytime running lights; and side guards to prevent pedestrians and cyclists from falling under vehicles. The Directive makes the EU-WVTA system (see below) mandatory for all categories of motor vehicles and their trailers.

EU Member States are required to designate one or more national "Type Approval Authority" to test and approve the various classes of products that require approval. For motor vehicles in the UK, the designated authority is the Vehicle Certification Agency (VCA). The UK implemented the Framework Directive in the Road Vehicles (Approval) Regulations 2009, as amended (the Approval Regulations).

All complete O1, O2, O3 and O4 type trailers are required to have "whole vehicle type approval" or an approval certificate. Generally, the responsibility for obtaining type approval rests with the manufacturer of the product. If a product is covered by a requirement for type approval it is illegal to put that product on the market without the necessary certification. There are three options for manufacturers looking to acquire type approval for their trailers: (i) Individual Vehicle Approval (IVA), (ii) National Small Series Type Approval (NSSTA), and (iii) European Whole Vehicle Type Approval (EU-WVTA).

The IVA is a UK approval scheme that ensures all imported, as well as domestically manufactured, trailers meet the necessary technical requirements for safe use on roads throughout Europe. Manufacturers should apply for IVA if they are making or importing a single vehicle or trailer or very small number of vehicles or trailers that have not previously been registered in the UK before. Each individual trailer is required to have a physical inspection at a Vehicle and Operator Service Agency site in Great Britain, or a Driver Vehicle Agency in Northern Ireland.

Companies that produce only a small number of trailers can apply for NSSTA as an alternative to EU-WVTA. Such approval is only valid for trailers that are sold in the UK, as the NSSTA standard is not recognized elsewhere in Europe. There are also strict limits on the number of units a company is able to manufacture each year.

Manufacturers that produce trailers in large numbers are able to apply for EU-WVTA. Manufacturers must first obtain approval for all components they plan to use in the manufacture of their trailers. They can then seek approval for the entire vehicle. At each stage of the manufacturing process, a sample of the vehicle will be tested. Once the tests are complete, the manufacturers can then obtain a Conformity of Production Certificate or EC Certificate of Conformity. Once the design has this certificate, individual vehicles of the same design no longer need to be tested. EU-WVTA means a company can sell its trailers across Europe without the need for additional assessments.

International technical harmonization

The worldwide technical harmonization of vehicles is governed by two international agreements – the 1958 Agreement and the 1998 parallel Agreement. These agreements establish harmonized requirements at global level to ensure high levels of safety, environmental protection, energy efficiency, and theft prevention.

The 1958 Agreement on the technical harmonization of vehicles was introduced by the United Nations Economic Commission for Europe (UNECE). The Agreement provides the legal and administrative context for establishing international UN Regulations with uniform performance-oriented test provisions, administrative procedures for granting type approvals, conformity of production and mutual recognition of the type approvals granted by contracting parties. The EU became a contracting party to this agreement on March 24, 1998. A UN Regulation in force binds legally all those Contracting Parties which signed the same Regulation.

The 1998 parallel Agreement applies in parallel to the 1958 Agreement. Its purpose is to further enhance the process of international harmonization through the development of global technical regulations (GTRs). The main difference is that the parallel agreement does not provide for the mutual recognition of approvals granted on the basis of global technical regulations. The 1998 Agreement currently has 33 Contracting Parties, and 15 UN GTRs have been established in the UN Global Registry.

Standards

These can be international standards (such as those developed by the International Organization for Standardization), European standards or national standards (such as British Standards). The use of standards is generally voluntary, but may be useful for the design of products. In particular, some European standards are given special status as harmonized standards. This will mean that compliance with the standard will give a presumption of conformity with EU law.

Material English Laws and Regulations Relating to Product Liability

Consumer Protection Act 1987 (CPA)

The CPA incorporates Directive No. 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (Product Liability Directive) into English law. The CPA provides a strict liability regime where a consumer product does not provide the safety that persons are generally entitled to expect. "Product" means any goods or electricity and includes a product comprised in another product, such as a component part or raw material. There is a "defect" in a product if the safety of the product is not such as persons generally are entitled to expect.

There is no need for the person to prove the fault or negligence of the producer. To succeed in a claim under the CPA, the person must prove that the product was defective, that the person has suffered damage and that there is a causal link between the defective product and the damage suffered. Damage means death or personal injury or any loss of or damage to any property, including land (provided the loss or damage to property is greater than £275). A person shall not be liable under section 2 of the CPA for the loss of or any damage to the product itself or for the loss or damage to the whole or any part of the product which has been supplied with the product in question comprised in it.

Under section 2 of the CPA, a person may be liable for any damage caused wholly or partly by a defect in a product if it is the producer of the product (in most cases this will be the manufacturer), the first importer of the product into the EU, or the person whose brand-name or mark appears on the product. A supplier (whether the distributor, retailer or wholesaler) may also be liable in circumstances where it fails to provide information as to the origin of the product (including the manufacturer or supplier further up the supply chain) within a reasonable period of a request by the claimant. Where there are two or more persons liable by virtue of section 2 of the CPA for the same damage, their liability shall be joint and several.

There are a number of defenses available under the CPA. A person who alleges it has suffered damage as a result of the defective product must begin proceedings within three years from the date they became aware, or should have reasonably become aware, of the damage, defect and identity of the producer. There is also a ten-year long-stop provision from when a product was put into circulation.

Part II of the CPA provides that the Secretary of State of the United Kingdom may make such safety regulations as appropriate to ensure goods are safe. More than 50 such regulations have been enacted to date covering topics as diverse as fireworks to furniture and furnishings. Certain of these, such as the Road Vehicles (Brake Linings Safety) Regulations 1999 that prohibit the use of brake linings containing asbestos, will be relevant for the manufacture of trailers. To the extent any other of these regulations apply to the trailers, these also will need to be complied with by SDC Trailers.

General Product Safety Regulations 2005, SI 2005/1803 (GPSR)

There is a parallel requirement that consumer products should not be dangerous under the GPSR. The GPSR (or aspects thereof) applies to the extent that the products are not covered by requirements set out in specific safety regulations. In essence, where there is EU law regulating the safety of a product, the GPSR will only apply to the extent that a specific risk or category of risk has not been dealt with.

The GPSR incorporates Directive No. 2001/95/EC on general product safety into English law. Under the GPSR, a producer is not allowed to place a product on the market unless the product is a safe product (regulation 5, GPSR). Furthermore, there is a presumption that the product conforms to the specific rules of the law laying down the health and safety requirements which the product must satisfy in order to be marketed in the UK.

Under the GPSR the following entities fall under the definition of producer: a manufacturer established in an EU member state; an "own-brander" presenting itself as the manufacturer by placing its name, trademark or other distinctive mark on the product; someone who reconditions the product; if the manufacturer is not established in an EU member state, its representative in the EU (if it has one); or, in any other case, the importer of the product into the EU or any other professional in the supply chain whose activities may affect the safety properties of the product.

A "safe product" means a product which under normal or reasonably foreseeable conditions of use does not present any risk or minimum risks considered to be acceptable for the safety and health of persons. Placing an unsafe product on the market is a criminal offense under the GPSR. The offense is one of strict liability. A company will commit an offense as soon as the unsafe product is placed on the market, regardless of whether the company knows the product is unsafe at that stage. The maximum penalty is an unlimited fine or imprisonment for a term not exceeding 12 months, or both.

New Code of Practice

In March 2018, the UK government published a new Code of Practice on consumer product safety-related recalls and other corrective actions (PAS 7100) (Code of Practice) to improve product safety recalls and other corrective actions. The Code includes details on how businesses can monitor the safety of products and plan for a recall, as well as how market surveillance authorities can support businesses in implementing corrective action.

Brexit

The vast majority of UK product safety law, and its strict liability regime for defective products, is derived from EU law. When the UK leaves the EU, it is likely that this body of law will remain unchanged, at least in the short term. This may change over time after the UK leaves the EU.

English Statutes Which Apply to the Sale of Goods and Provision of Services

There are a number of statutes that may apply to a contract of sale or a contract for services between SDC Trailers and its customers where the contract is subject to English law and where SDC Trailers' customer is not a consumer. These statutes include the Sale of Goods Act 1979 (SGA 1979), the Supply of Goods and Services Act 1982 (SSGA) and the Sale and Supply of Goods Act 1994.

These statutes regulate the sale of goods or supply of goods and impose implied terms and conditions in contracts for the sale of goods or supply of goods (e.g. that the seller has the right to sell the goods and in terms of quality and fitness for purpose). It is possible to negate or vary some of the implied terms by agreement of the parties to the contract of sale, subject to complying with the Unfair Contract Terms Act 1977 (UCTA).

The SSGA implies three terms into contracts for services, whether or not goods are transferred as part of the services. These terms relate to the standard of performance of the services, time for performance of the services, and price of the services. Subject to the application of UCTA, the implied terms can be negated or varied by express agreement, or by the course of dealing between the parties, or by such usage as binds both parties to the contract.

Under UCTA, in dealings other than with consumers, a business is only able to reduce or extinguish its liability if the limitation is reasonable.

Product Liability Claims in Negligence

A claimant who has suffered personal injury or damage to its property as a result of a defective product may also be able to bring a common law action for negligence against the manufacturer. A claimant can bring a negligence claim concurrently with a statutory CPA claim. However, a claimant cannot recover the same damages twice.

Rules Specific to Dealings with Consumers

When dealing with consumers, the Consumer Rights Act 2015 which incorporates Directive 2011/83/EU on consumer rights, will apply. When SDC Trailers offers (or introduces) any kind of financing of trailers to consumers, the UK consumer credit regime may apply. The regulatory framework consists of the Financial Services and Markets Act 2000, its secondary legislation, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and rules and guidance in the FCA Handbook, including the Consumer Credit sourcebook. Provisions of the Consumer Credit Act 1974 (as amended) may also apply depending on the nature, type, and terms and conditions of the agreement.

OVERVIEW

Our history dates back to August 29, 1996 when our Company was first established as a Sino-foreign joint venture with limited liability in Shenzhen, the PRC under the name of Shenzhen Tianda Heavy Industries Ltd. (深圳天達重型機械有限公司) ("Shenzhen Tianda") and since then, CIMC has been our Controlling Shareholder. On May 24, 2005, our Company was renamed as CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)有限公司).

On October 23, 2018, our Company was converted into a joint stock company with limited liability and was renamed as CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司) ("Conversion"). Immediately after the Conversion, our Company had a registered capital of RMB1,500 million, consisting of 1,500 million Shares with a nominal value of RMB1.00 each and CIMC was interested in approximately 63.33% of our Shares. See "– Shareholders and Major Shareholding Change of Our Company – Conversion" for details.

OUR BUSINESS MILESTONES

The following is a summary of our key business development milestones:

Year	Event
1996.	• Our Company was established under the name of Shenzhen Tianda with CIMC as our Controlling Shareholder
2002.	• We began to develop the business of manufacture and sale of semi-trailers and truck bodies for specialty vehicles
2003.	• We exported our chassis trailers into the North American market and launched our global business operations
2004.	• We acquired CIMC Yangzhou and Huajun Vehicle and further expanded our business in the PRC market
2005	• We changed our name to CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)有限公司)
2014.	• We launched our "Light Tower" plants and adopted automated production facilities
2015.	• Shanghai Taifu, Nanshan Dacheng and Sumitomo Corporation became our Pre-IPO Investors
	• We acquired a number of overseas companies, including the US-based Vanguard National Trailer and Belgium-based LAG Trailers
	• We established a number of subsidiaries across the world, including Malaysia, South Africa and Vietnam

Year	Event
2016	• We further strengthened our presence in Europe through the acquisition of Retlan Manufacturing Ltd., a company incorporated under the laws of the UK and the then holding company of SDC Trailers • We were awarded "Top 100 in the Machinery Industry and Top 30 Enterprises in the Automotive Industry" by China Machinery Industry Federation
2017	• We were awarded "Top 100 in the Machinery Industry and Top 30 Enterprises in the Automotive Industry" by China Machinery Industry Federation for the second consecutive year
2018	• We were awarded "The 16th China Top Ten Management Practices of 2018" by World Manager Magazine • We were awarded "China Road Freight Transportation Industry Gold Award" by China Federation of Logistics & Purchasing • Huajun Vehicle, our wholly owned subsidiary, was awarded "China Well-known Trademark" by the State Administration for Industry & Commerce of the PRC (中國國家工商行政管理總局)

OUR KEY SUBSIDIARIES

Name of company	Principal business activities	Date of establishment	Place of incorporation	Shareholding held by our Company
CIMC Shenzhen	Manufacture and sale of semi-trailers, specialty vehicles and machinery equipments for roads and ports	May 17, 2004	Shenzhen, Guangdong province, the PRC	100%
CIMC Yangzhou	Manufacture and sale of trailers, semi-trailers and specialty vehicles	December 14, 1991	Yangzhou, Jiangsu province, the PRC	100%
Huajun Vehicle	Manufacture and sale of specialty vehicles and semi-trailers	October 30, 1997	Zhumadian, Henan province, the PRC	100%
Vanguard National Trailer	Manufacture and sale of dry van trailers	April 11, 2003	US	100%
SDC Trailers	Manufacture and sale of semi-trailers	April 9, 1982	UK	100%

SHAREHOLDERS AND MAJOR SHAREHOLDING CHANGE OF OUR COMPANY

Shareholding structure

As of the Latest Practicable Date, we had eight Shareholders, namely CIMC, CIMC Hong Kong, Shanghai Taifu, Taizhou Taifu, Shenzhen Longyuan, Nanshan Dacheng, Xiangshan Huajin and Sumitomo Corporation, which held approximately 44.33%, 19.00%, 16.82%, 10.77%, 1.54%, 1.54%, 5.06% and 0.93% of the total issued share capital of our Company, respectively.

Major shareholding change

Upon incorporation, the registered capital of our Company was US$1 million. After several rounds of capital injection and the Conversion, our registered capital was increased to RMB1,500 million as of the Latest Practicable Date. The major changes in our registered capital are summarized as follows:

Year	Changes in registered capital and shareholding
August 1996 . . .	Our Company was incorporated with a registered capital of US$1 million and was owned by CIMC Hong Kong, Hailing Industry Co., Ltd. (海領實業有限公司), Guotong Tiangang Industrial Development Co., Ltd. (國通天港實業開發公司) and Shenzhen Tianda Airport and Port Equipments Co., Ltd. (深圳天達空港設備有限公司) as to 45.90%, 22.50%, 21.60% and 10.00%, respectively.
April 2002	The registered capital of our Company was increased from US$1 million to US$5 million and was owned by CIMC Hong Kong and Shenzhen CIMC Container as to 68.40% and 31.60%, respectively.
April 2003	The registered capital of our Company was increased from US$5 million to US$30 million and Shenzhen CIMC Container transferred its entire equity interest of 31.60% to CIMC, following which our Company was owned by CIMC and CIMC Hong Kong as to 55.00% and 45.00%, respectively.
May 2005	CIMC transferred 5.00% of our equity interest and CIMC Hong Kong transferred 45.00% of our equity interest to CIMC Vehicle Investment, following which our Company was owned by CIMC and CIMC Vehicle Investment as to 50.00% and 50.00%, respectively.
September 2005	The registered capital of our Company was increased from US$30 million to US$60 million, following which our Company was owned by CIMC and CIMC Vehicle Investment as to 70.00% and 30.00%, respectively.
March 2008 . . .	The registered capital of our Company was increased from US$60 million to US$75 million and our newly increased capital was subscribed by an Independent Third Party, CR Trust, following which our Company was owned by CIMC, CIMC Hong Kong and CR Trust as to 56.00%, 24.00% and 20.00%, respectively.
November 2011	The registered capital of our Company was increased from US$75 million to US$168 million by way of pro rata issue to all the then existing holders of our equity interest.

Year	Changes in registered capital and shareholding
December 2015	The registered capital of our Company was increased from US$168 million to approximately US$212 million. Our newly increased registered capital was subscribed by Shanghai Taifu, Longyuan Investment, Nanshan Dacheng and Sumitomo Corporation (the "2015 Subscription") at the total consideration of approximately RMB1,350 million, which was determined after arm's length negotiations between the parties with reference to the appraised market value of our equity interests as of December 31, 2014. Set forth below is our shareholding structure immediately before and after the 2015 Subscription:

Shareholders	Percentage of shareholding immediately before the 2015 Subscription	Consideration for the 2015 Subscription	Approximate percentage of shareholding after the 2015 Subscription[1]
		(RMB million)	
CIMC.	56.00%	–	44.33%
CIMC HK	24.00%	–	19.00%
CR Trust	20.00%	–	15.83%
Shanghai Taifu[2]	–	1,090	16.82%
Longyuan Investment[3]	–	100[3]	1.54%
Nanshan Dacheng[2]	–	100	1.54%
Sumitomo Corporation[2].	–	60	0.93%
Total	100%	1,350	100%

(1) Any discrepancies between the total and the sum of amounts listed therein are due to rounding.

(2) To the best of the information and knowledge of our Company, each of Shanghai Taifu, Nanshan Dacheng and Sumitomo Corporation is independent from each other and an Independent Third Party. See "– Pre-IPO Investments – Information about the Pre-IPO Investors" in this section.

(3) Longyuan Investment was established as a limited liability company in the PRC on December 14, 2015 and is owned by our Director and certain management personnel of our Company, namely Mr. Li Guiping (李貴平), Ms. Li Zhimin (李志敏) and Ms. Mao Yi (毛弋), as to 80.00%, 10.00% and 10.00%, respectively. Longyuan Investment subscribed for our equity interest for the purpose of setting up an employee shareholding platform and did not pay up its contribution to our registered capital. Subsequently, Longyuan Investment transferred the unpaid registered capital of our Company held by it to Shenzhen Longyuan, an employee shareholding platform of our Company.

Year	Changes in registered capital and shareholding
June 2016 . . .	Longyuan Investment transferred its equity interest in our Company to Shenzhen Longyuan on June 29, 2016 at nil consideration and Shenzhen Longyuan fully paid its contribution to our registered capital after such transfer. Shenzhen Longyuan is an employee shareholding platform of our Company and was established as a limited partnership on April 29, 2016 in the PRC. The general partner of Shenzhen Longyuan is Longyuan Investment which is owned by our Director and certain management personnel of our Company, namely Mr. Li Guiping (李貴平), Ms. Li Zhimin (李志敏) and Ms. Mao Yi (毛弋), as to 80.00%, 10.00% and 10.00%, respectively. The limited partners of Shenzhen Longyuan are 24 individuals who are, or were, our Director, Supervisors, senior management and/or employees of our Company, including the following connected persons of our Company: (i) Mr. Li Guiping (李貴平), who is our executive Director and is indirectly interested in 18.09% of the capital contribution of Shenzhen Longyuan; (ii) Mr. Liu Hongqing (劉洪慶), who is our Supervisor and is indirectly interested in 3.19% of the capital contribution of Shenzhen Longyuan; and (iii) Mr. Li Xiaofu (李曉甫), who is our Supervisor and is indirectly interested in 1.45% of the capital contribution of Shenzhen Longyuan. None of the 24 individuals is interested in more than one-third of the capital contribution of Shenzhen Longyuan. As Longyuan Investment is owned as to 80.00% by Mr. Li Guiping, our executive Director, Shenzhen Longyuan is in turn our core connected person. As far as we are aware, Shenzhen Longyuan is not engaged, and does not intend to engage, in any arrangement involving the grant of options to participants over new H Shares, Shares convertible into new H Shares, or other new securities of our Company or any of its subsidiaries which amounts to a share option scheme as described in Chapter 17 of the Listing Rules.
December 2017	CR Trust transferred approximately 10.77% and 5.06% of our equity interest held by it to Taizhou Taifu and Xiangshan Huajin at the consideration of approximately RMB819 million and RMB384 million, respectively (the "2017 Share Transfer"), both of which were determined after arm's length negotiations among the parties with reference to the appraised market value of our equity interest, the timing of the investments and the prospects of our business. CR Trust ceased to be our Shareholder after completion of the 2017 Share Transfer.

Details of our shareholding structure immediately before and after the 2017 Share Transfer are set forth below:

Shareholders	Approximate percentage of shareholding before the 2017 Share Transfer(1)	Approximate percentage of shareholding after the 2017 Share Transfer
CIMC	44.33%	44.33%
CIMC HK	19.00%	19.00%
CR Trust	15.83%	–
Shanghai Taifu	16.82%	16.82%
Taizhou Taifu(2)	–	10.77%
Xiangshan Huajin(3)	–	5.06%
Shenzhen Longyuan	1.54%	1.54%
Nanshan Dacheng	1.54%	1.54%
Sumitomo Corporation	0.93%	0.93%
Total	100%	100%

(1) Any discrepancies in the above table between total and the sum of amounts listed therein are due to rounding.

(2) Taizhou Taifu is an Independent Third Party. See " Pre-IPO Investments – Information about the Pre-IPO Investors" in this section for its background.

(3) Xiangshan Huajin is our core connected person as the general partner of Xiangshan Huajin is Shenzhen Longhui Gangcheng Enterprise Management Center (Limited Partnership) (深圳龍匯港城企業管理中心(有限合夥)) ("Shenzhen Longhui") which is an employee shareholding platform of our Company wholly owned by our Directors. See "– Information about the Pre-IPO Investors – Xiangshan Huajin" in this section for further details of Xiangshan Huajin. As far as we are aware, Shenzhen Longhui is not engaged, and does not intend to engage, in any arrangement involving the grant of options to participants over new H Shares, Shares convertible into new H Shares, or other new securities of our Company or any of its subsidiaries which amounts to a share option scheme as described in Chapter 17 of the Listing Rules.

As advised by our PRC legal advisors, all the changes in our registered capital and shareholding as set forth above have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules.

Our Company has no outstanding options, warrants or convertibles as of the Latest Practicable Date.

Conversion

On October 23, 2018, our Company was converted into a joint stock company with limited liability and renamed as CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司). Our registered capital was increased to RMB1,500 million and our Shareholders and their respective shareholding percentages remained unchanged before and after the Conversion and up to the Latest Practicable Date.

The table below summarizes the shareholding structure of our Company as of the Latest Practicable Date and immediately prior to the completion of the Global Offering (assuming that the Over-allotment Option is not exercised):

Shareholder	Class of Shares held	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding as of the Latest Practicable Date
CIMC	Domestic Shares	664,950,000	44.33%
CIMC Hong Kong	Unlisted Foreign Shares	284,985,000	19.00%
Shanghai Taifu	Domestic Shares	252,330,000	16.82%
Taizhou Taifu	Domestic Shares	161,602,500	10.77%
Xiangshan Huajin	Domestic Shares	75,877,500	5.06%
Shenzhen Longyuan	Domestic Shares	23,160,000	1.54%
Nanshan Dacheng	Domestic Shares	23,160,000	1.54%
Sumitomo Corporation	Unlisted Foreign Shares	13,935,000	0.93%
Total		**1,500,000,000**	**100%**

As advised by our PRC legal advisors, all necessary consents, approvals, authorizations and permissions required to be obtained for the Conversion have been obtained, and all the Conversion steps have been duly completed pursuant to the applicable PRC laws, regulations and rules.

SPIN-OFF

The directors of CIMC believe that the Spin-off will better position CIMC Group and our Group for growth in their respective businesses and deliver benefits to each of their respective groups. CIMC considers that the Listing is in the interests of CIMC Group and its shareholders taken as a whole for the following reasons:

1. The Spin-off will facilitate the further growth and business transformation of our Group and provide investors with a clear indicator of the standalone market valuation of our Group, which may enhance the overall value of CIMC.

2. The Spin-off will strengthen the operational management ability of both CIMC Group and our Group, where their management teams can focus more effectively on their respective businesses. The Spin-off will also allow our Group to enhance its corporate governance through public scrutiny.

3. The revenues and profits of our Group will continue to be consolidated in the financial statements of CIMC Group following the Spin-off, which will benefit the overall financial performance of CIMC Group.

4. The Spin-off will create a new investor base for our Group as it will be able to attract new strategic investors who are seeking investments specifically in the semi-trailers and truck bodies market.

5. CIMC Group and our Group will have separate fundraising platforms as a result of the Spin-off, which will increase their respective financial flexibility and enhance their ability to maintain stable cash flow to support sustainable growth.

6. Being a standalone listed company will bring numerous benefits to the business of our Group, and the Spin-off will enhance the brand value and market influence of our Group and promote the sustainable development of our Group.

We have been a subsidiary of CIMC in its latest financial year and therefore the requirements relating to spin-off under Practice Note 15 of the Listing Rules apply to the Listing. CIMC submitted a spin-off proposal to the Stock Exchange and the Stock Exchange has confirmed that CIMC may proceed with the Spin-off.

In accordance with the requirements of Practice Note 15 of the Listing Rules, CIMC will give due regard to the interests of the CIMC H Shareholders by providing Qualifying CIMC Shareholders with an Assured Entitlement to our H Shares by way of the Preferential Offering. See "Structure of the Global Offering – The Preferential Offering" in this prospectus for further details of the Preferential Offering.

PRE-IPO INVESTMENTS

Overview

On December 18, 2015, three investors, namely Shanghai Taifu, Nanshan Dacheng and Sumitomo Corporation, subscribed for our equity interest at a total consideration of approximately RMB1,250 million.

On December 7, 2017, Taizhou Taifu and Xiangshan Huajin acquired our equity interest from CR Trust, the then Shareholder of our Company, at a total consideration of approximately RMB1,203 million.

Shanghai Taifu, Taizhou Taifu, Xiangshan Huajin, Nanshan Dacheng and Sumitomo Corporation held in total approximately 35.13% of our issued share capital as of the Latest Practicable Date. See "– Shareholders and Major Shareholding Change of our Company – Conversion" for details of the percentage of shareholding held by each of the Pre-IPO Investors and our other Shareholders as of the Latest Practicable Date.

Principal terms of the Pre-IPO investments

The table below summarizes the principal terms of the pre-IPO investments in December 2015:

	Shanghai Taifu	Nanshan Dacheng	Sumitomo Corporation
Date of investment	December 18, 2015	December 18, 2015	December 18, 2015
Amount of consideration paid	Approximately RMB1,090 million	Approximately RMB100 million	Approximately US$9.29 million (equivalent to approximately RMB60 million)
Basis of consideration	The consideration was determined after arm's length negotiations between the parties with reference to the appraised market value of our equity interest as of December 31, 2014.		
Payment of consideration	All the consideration payable by each of the Pre-IPO Investors was settled in full by January 31, 2016.		
Approximate investment cost per Share	RMB4.3		
Discount to the IPO price	32.5% (calculated based on the Offer Price of HK$7.23, being the mid-point of the indicative Offer Price range of HK$6.38 to HK$8.08)		
Lock-up period	Our Shares held by the Pre-IPO Investors are subject to a lock-up period of 12 months after the date of Listing and the Pre-IPO Investors shall not transfer, entrust other persons/companies to handle and manage, or request our Company to repurchase our Shares held by them within the lock-up period.		
Special rights	It is agreed that all the special rights granted to the investors shall lapse or be terminated upon Listing.		

	Shanghai Taifu	Nanshan Dacheng	Sumitomo Corporation
Use of proceeds	The proceeds have been utilized in full as our general working capital.		
Strategic benefits to our Company	At the time of the investments, our Directors were of the view that the investments by these well established global investors demonstrated their confidence in our Company and our Company would benefit from the additional capital that would be provided by the investors.		
Approximate shareholding in our Company after completion of the pre-IPO investment and immediately before the Global Offering	16.82%	1.54%	0.93%

The table below summarizes the principal terms of the pre-IPO investments in December 2017:

	Taizhou Taifu	Xiangshan Huajin
Date of investment	December 7, 2017	December 8, 2017
Amount of consideration paid	Approximately RMB819 million	Approximately RMB384 million
Basis of consideration	The relevant consideration was determined after arm's length negotiation between CR Trust as the seller and each of Taizhou Taifu and Xiangshan Huajin as the purchaser with reference to the appraised market value of our equity interest, the timing of the investments and the prospects of our business.	
Payment of consideration	All the consideration payable by each of the Pre-IPO Investors were settled in full by December 2017.	
Approximate investment cost per Share	RMB5.1	
Discount to the IPO price	19.9% (calculated based on the Offer Price of HK$7.23, being the mid-point of the indicative Offer Price range of HK$6.38 to HK$8.08)	
Lock-up period	Our Shares held by the Pre-IPO Investors are subject to a lock-up period of 12 months after the date of Listing on the Stock Exchange and the Pre-IPO Investors shall not transfer, entrust other persons/companies to handle and manage, or request our Company to repurchase our Shares held by them within the lock-up period.	
Special rights	It is agreed that all the special rights granted to the investor shall lapse or be terminated upon Listing.	No special rights were granted to Xiangshan Huajin.
Use of proceeds	Our Company did not receive the proceeds from the investments as such investments involve the transfer of our equity interest from CR Trust to Taizhou Taifu and Xiangshan Huajin.	

	Taizhou Taifu	Xiangshan Huajin
Strategic benefits to our Company . . .	At the time of the investment, our Directors were of the view that the investment by such well established investor demonstrated its confidence in our Company.	Our Directors are of the view that the investment reflects our management's commitment to our Group.
Approximate shareholding in our Company after completion of the pre-IPO investment and immediately before the Global Offering	10.77%	5.06%

Information about the Pre-IPO Investors

Shanghai Taifu

Shanghai Taifu is a limited partnership established in the PRC, the general partner of which is Ping An Decheng, and the limited partners of which are Ping An Jinyun Project 1 Special Fund (平安金運項目1號專項基金), Ping An Jinyun Project 2 Special Fund (平安金運項目2號專項基金), Ping An Jinyun Project 3 Special Fund (平安金運項目3號專項基金), Ping An Life Insurance, Shenzhen Ping An Consuming Technology Equity Investment Partnership (Limited Partnership) (深圳市平安眾消科技股權投資合夥企業(有限合夥)) and Chi Xiao who holds 0.83%, 9.94%, 5.37%, 26.86%, 17.32% and 39.60% of the interests in Shanghai Taifu, respectively. Ping An Decheng is wholly owned by Shenzhen Ping An Financial which is ultimately owned by Ping An Group. Ping An Life Insurance is ultimately controlled by Ping An Group as to approximately 99.51% of its interests. Chi Xiao is wholly owned by Nanshan Group which is in turn ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council and the government of Guangdong Province collectively. Ping An Decheng, Ping An Life Insurance and Chi Xiao are our Substantial Shareholders. See "Substantial Shareholders" for details.

Shanghai Taifu is principally engaged in equity investment, industrial investment, investment management and investment advisory service.

Taizhou Taifu

Taizhou Taifu is a limited partnership established in the PRC, the general partner of which is Ping An Decheng, and the limited partners of which are Hangzhou Guoting Equity Investment Fund Partnership (Limited Partnership) (杭州國廷股權投資基金合夥企業(有限合夥)), Ping An Life Insurance, PKU Founder Life Insurance Co., Ltd. (北大方正人壽保險有限公司) and Ping An Health Partnership who holds 11.61%, 47.62%, 2.32% and 38.33% of the interests in Taizhou Taifu, respectively. PKU Founder Life Insurance Co., Ltd. is directly owned by Peking University Founder Group Co., Ltd. (北大方正集團有限公司) (ultimately controlled by Peking University, a public university in the PRC), Meiji Yasuda Life Insurance Company (a mutual company established under Japanese law which are ultimately owned by those who enroll in its insurance policies) and Haier Group (Qingdao) Finance Holding Co., Ltd. (海爾集團(青島)金融控股有限公司) (ultimately controlled by Haier Group Corporation, a collective ownership entity (集體所有制企業)) as to

51.00%, 29.24% and 19.76% of its interests. The ultimate beneficial owners of PKU Founder Life Insurance Co., Ltd. are all Independent Third Parties. Ping An Decheng, Ping An Life Insurance and Ping An Health Partnership are our Substantial Shareholders. See "Substantial Shareholders" for details.

Taizhou Taifu is principally engaged in investment management and assets management.

Xiangshan Huajin

Xiangshan Huajin is a limited partnership established in the PRC, the general partner of which is Shenzhen Longhui Gangcheng Enterprise Management Centre (Limited Partnership) (深圳市龍匯港城企業管理中心(有限合夥), "Shenzhen Longhui") and the limited partner of which is Ningbo Fengmei Industrial Limited Company (寧波峰梅實業有限公司, "Ningbo Fengmei"). The partnership interest of Xiangshan Huajin is held as to 50.67% and 49.33% by Shenzhen Longhui and Ningbo Fengmei. Shenzhen Longhui is the employees shareholding platform of our Company and is owned by our Directors, namely Mr. Li Guiping (李貴平), Ms. Zeng Beihua (曾北華) and Mr. Wang Yu (王宇), as to approximately 47.37%, 26.32% and 26.32%, respectively. Ningbo Fengmei is owned by Mr. Zhou Xiaofeng (周曉峰) who was our Director within 12 months before the Listing, and his spouse Ms. Zhang Songmei (張松梅), as to 80.00% and 20.00%, respectively. Xiangshan Huajin is principally engaged in industrial investment. As Shenzhen Longhui is wholly owned by our Directors, Xiangshan Huajin is in turn our connected person.

Nanshan Dacheng

Nanshan Dacheng is a limited liability partnership established in the PRC, the general partner of which is Nanshan Fund which holds 0.10% of the interests in Nanshan Dacheng. The limited partners of Nanshan Dacheng are Penghua Asset Management Co., Ltd. (鵬華資產管理有限公司) ("Penghua Asset"), Shandong Nanshan Aluminium Co., Ltd. (山東南山鋁業股份有限公司) ("Shandong Nanshan") (a company listed on the Shanghai Stock Exchange (stock code: 600219)) and Shenzhen Qianhai Financial Development Co., Ltd. (深圳前海南山金融發展有限公司) ("Qianhai Financial") which holds 69.93%, 14.99% and 14.99% of the equity interest in Nanshan Dacheng, respectively. Nanshan Fund is ultimately owned by Mr. Song Zuowen (宋作文) as to 49.50% as its largest shareholder who is an Independent Third Party. Penghua Asset is ultimately controlled by Guosen Securities Co., Ltd. (國信證券股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002736)) and Eurizon Capital SGR S.p.A. (which is ultimately owned by Intesa Sanpaolo, a company listed on the Italian Stock Exchange) as to approximately 70% of its interests. The remaining 30% interests of Penghua Asset is owned by 19 individuals. Qianhai Financial is ultimately owned as to 50% by Mr. Song Zuowen and a local village committee (村民委員會) collectively, 30% by Mr. Song Zuowen and Ms. Lv Shuling collectively, and 20% by Ms. Jiao Weijuan, Mr. Jiao Jianbing, Ms. Cao Lin and Ms. Song Zuolan collectively, respectively. The ultimate beneficial owners of Penghua Asset and Qianhai Financial are all Independent Third Parties.

Nanshan Dacheng is principally engaged in equity investment and trustee services for equity investment funds and asset management with a focus on new material industry.

Sumitomo Corporation

Sumitomo Corporation is a Japanese trading conglomerate which is listed on the stock exchanges in Tokyo, Nagoya and Fukuoka. It is principally engaged in investment, business of export, import and sale of goods and materials including metal products, mineral resources, energy, chemical and electronics products; transportation and construction systems; and infrastructure and other related business activities.

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirms that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

Public float

As CIMC and CIMC Hong Kong will continue to be our Controlling Shareholders upon the Listing, our H Shares held by CIMC Hong Kong, a wholly owned subsidiary of CIMC, will not be considered as part of our H Shares which form the public float according to Rule 8.08 of the Listing Rules.

All of our other H Shares held by our Shareholders upon Listing will be counted towards to the public float. See "Waivers from Compliance with the Listing Rules – Waiver in respect of public float requirements" and "– Our Corporate Structure – Corporate structure immediately following completion of the Global Offering" for further details.

Lock-up

Each of our existing Shareholders has undertaken not to transfer our Shares it held at the time of Listing within one year since the Listing Date. See "Share Capital – Lock-up Periods".

ACQUISITIONS

Acquisitions of equity interest in Qingdao Special Vehicle and Qingdao Reefer during the Track Record Period

On November 30, 2018, our Company entered into the following agreements:

(1) CIMC entered into an equity transfer agreement with our Company, pursuant to which our Company agreed to purchase and CIMC agreed to sell 44.34% equity interest of Qingdao Special Vehicle at a cash consideration of approximately RMB41,074,610 which was determined after arm's length negotiations with reference to the appraised market value as of June 30, 2017 as assessed by an independent valuer; and

(2) CIMC Hong Kong entered into an equity transfer agreement with CIMC Vehicle Investment, a wholly owned subsidiary of our Company, pursuant to which CIMC Vehicle Investment agreed to purchase and CIMC Hong Kong agreed to sell 34.01% equity interest of Qingdao Reefer at a cash consideration of approximately RMB88,826,478 which was determined after arm's length negotiations with reference to the appraised market value as of June 30, 2017 as assessed by an independent valuer.

Our Directors are of the view that the said acquisitions will enable us to acquire full control of Qingdao Reefer and Qingdao Special Vehicle, both of which are engaged in our principal business.

Qingdao Special Vehicle was established on November 1, 2004 under the laws of the PRC and is principally engaged in the production of semi-trailers and truck bodies for specialty vehicles. It was owned as to 55.66% and 44.34% by our Group and CIMC, respectively, immediately before the completion of the transfer of equity interest.

Qingdao Reefer was established on November 30, 2007 under the laws of the PRC and is principally engaged in production of semi-trailers such as refrigerated trailers. It was owned as to 65.99% and 34.01% by our Group and CIMC Group, respectively, immediately before the completion of the transfer of the equity interest.

As of the Latest Practicable Date, we have completed the acquisition of Qingdao Special Vehicle and Qingdao Reefer, following which Qingdao Special Vehicle and Qingdao Reefer have become our wholly owned subsidiaries.

Post-Track Record Period Acquisition of equity interest in Zhenjiang Technology

We entered into the relevant equity transfer agreements on December 31, 2018 with Changshu Shenyi Van Manufacturing Co., Ltd. (常熟申毅卡車廂體製造有限公司) ("Changshu Van") and Beijing Huitongtianxia IOT Technology Co., Ltd. (北京匯通天下物聯科技有限公司) ("Beijing Huitong"), which are Independent Third Parties, respectively, in relation to the acquisition of 28.00% equity interest of Zhenjiang Technology from Changshu Van for a cash consideration of RMB3,080,000 and the acquisition of 3.00% equity interest of Zhenjiang Technology from Beijing Huitong for a cash consideration of RMB330,000 ("Zhenjiang Technology Acquisition"). The consideration was determined after arm's length negotiations with reference to, among others, the registered capital of Zhenjiang Technology. Pursuant to the relevant equity transfer agreements, our Company shall pay the consideration to Changshu Van in cash by installment and to Beijing Huitong through one-off cash payment, subject to satisfaction of relevant pre-conditions provided thereunder.

Zhenjiang Technology is a limited liability company established under the laws of the PRC on July 25, 2017, and is principally engaged in development and production of automatic tire inflation systems. Changshu Van is principally engaged in manufacturing of truck bodies and Beijing Huitong is principally engaged in development of logistics technology and provision of logistic management services. We intend to acquire Zhenjiang Technology to principally expand our product portfolio and enhance our research and development capability in energy saving and intelligent technology. According to the unaudited management accounts of Zhenjiang Technology, in light of its relatively short operation history, Zhenjiang Technology records the following as of and for the financial year ended December 31, 2017 and 2018, respectively.

	As of or for the year ended December 31, 2018	**As of or for the year ended December 31, 2017**
	(approximate RMB'000)	
	(unaudited)	
Total assets	10,107	9,510
Total revenue	598	Nil
Profit/(loss) before taxation	(333)	(8)
Profit/(loss) after taxation	(333)	(8)

As of the Latest Practicable Date, the acquisition of Zhenjiang Technology has not been completed and it is currently expected that the acquisition will be completed within 2019. Upon completion of the acquisition, Zhenjiang Technology will become our non-wholly owned subsidiary held by us as to 51.00%.

Waivers from strict compliance with the Listing Rules

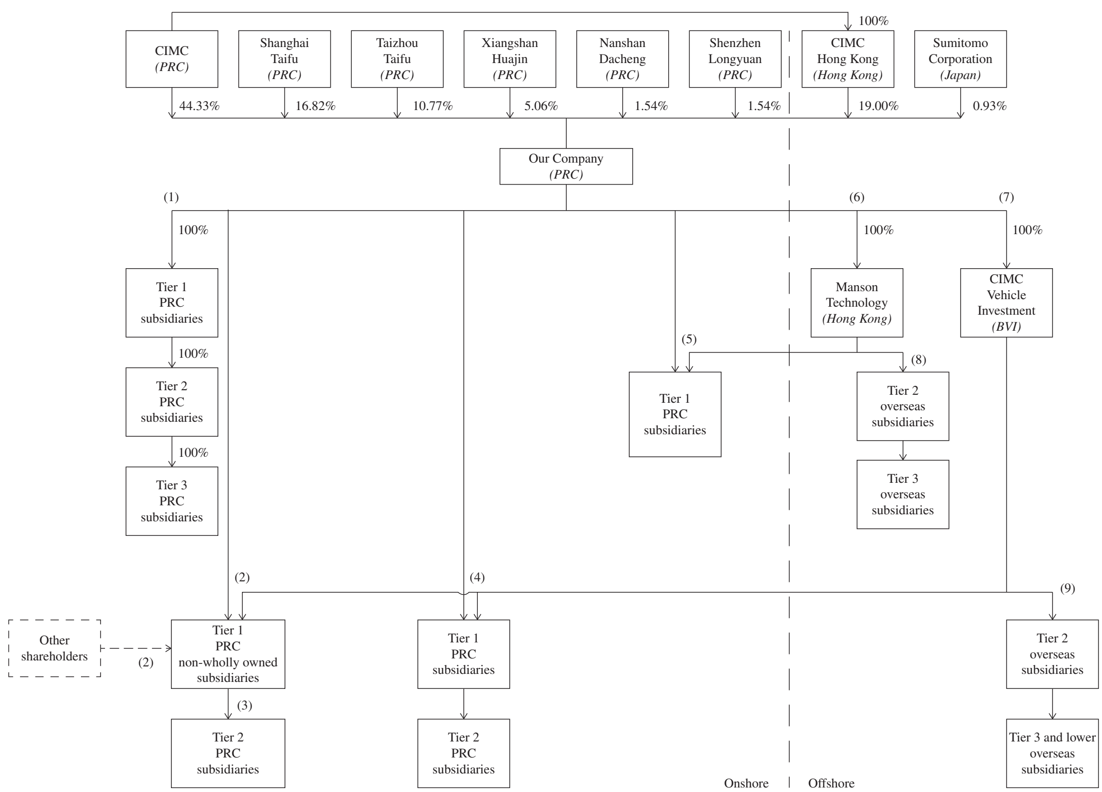
Upon completion of the aforementioned acquisitions, Zhenjiang Technology will become our subsidiary and we have set out the above information of Zhenjiang Technology which is comparable to information required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the aforementioned post-Track Record Period acquisition of Zhenjiang Technology. For details, see "Waivers from Compliance with the Listing Rules – Waiver from Strict Compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules".

OUR CORPORATE STRUCTURE

Our corporate structure after Conversion and immediately before the Global Offering

The following chart sets forth our shareholding structure as of the Latest Practicable Date and immediately before the Global Offering:



1. There are in total 20 Tier 1 PRC subsidiaries directly wholly owned by our Company, namely:

   (1) CIMC Vehicle (Group) Xinjiang Co., Ltd. (中集車輛(集團)新疆有限公司).

   (2) CIMC Yangzhou.

   (3) Zhumadian CIMC Wanjia Axle Co., Ltd. (駐馬店中集萬佳車軸有限公司).

   (4) Zhumadian CIMC Huajun Automobile Trading Co., Ltd. (駐馬店中集華駿汽車貿易有限公司).

   (5) Liaoning CIMC Vehicle Logistics Equipment Co., Ltd. (遼寧中集車輛物流裝備有限公司).

   (6) Xinjiang CIMC Vehicle Logistics Equipment Co., Ltd. (中集車輛(集團)新疆物流裝備有限公司).

   (7) Inner Mongolia CIMC Vehicle Logistics Equipment Co., Ltd. (內蒙古中集車輛物流裝備有限公司).

   (8) Sichuan CIMC Vehicle Logistics Equipment Co., Ltd. (四川中集車輛物流裝備有限公司).

   (9) Jiangmen CIMC Intellect Logistics Equipment Co., Ltd. (江門中集智能物流裝備有限公司).

   (10) Guangzhou CIMC Vehicle Logistics Equipment Co., Ltd. (廣州中集車輛物流裝備有限公司).

   (11) Xiamen CIMC Vehicle Logistics Equipment Co., Ltd. (廈門中集車輛物流裝備有限公司).

   (12) Nanning CIMC Vehicle Logistics Equipment Co., Ltd. (南寧中集車輛物流裝備有限公司).

(13) Tianjin CIMC Vehicle Logistics Equipment Co., Ltd. (天津中集車輛物流裝備有限公司), which directly holds 100% equity interest of Tianjin Ximake Transportation Service Co., Ltd. (天津希瑪克運輸有限公司)

(14) Guangzhou CIMC Vehicle Sales Services Co., Ltd. (廣州中集車輛銷售有限公司).

(15) Shaanxi CIMC Vehicle Sales Service Co., Ltd. (陝西中集車輛銷售服務有限公司).

(16) Hubei CIMC Vehicle Sales Service Co., Ltd. (湖北中集車輛銷售服務有限公司).

(17) Chongqing CIMC Vehicle Sales Service Co., Ltd. (重慶中集車輛銷售服務有限公司).

(18) Shenzhen CIMC Vehicle Marketing Co., Ltd. (深圳中集車輛銷售有限公司), which directly holds 70% equity interest of Guangzhou CIMC Vehicles Swap Transportation Leasing Co., Ltd. (廣州中集車輛甩掛租賃有限公司). The remaining 30% equity interest is held by Youjia Intellect Vehicle Management (Shenzhen) Co., Ltd. (優佳智慧汽車管理(深圳)有限公司).

(19) Shenzhen CIMC Vehicle Marketing Service Co., Ltd. (深圳中集車輛營銷服務有限公司), which directly holds 100% equity interest of Shanghai CIMC Vehicle Sales Services Co., Ltd. (上海中集汽車銷售服務有限公司) and indirectly owns 100% equity interest in Shanghai Ximake Transportation Service Co., Ltd. (上海希瑪克運輸服務有限公司) and Beijing CIMC Vehicle Sales Services Co., Ltd. (北京中集車輛銷售服務有限公司).

(20) Zhenjiang CIMC Intellect Logistics Equipment Co., Ltd. (鎮江中集車輛智能物流裝備有限公司).

2. There are in total another 8 Tier 1 PRC subsidiaries which are owned by our Company (including CIMC Vehicle Investment) and other shareholders (including CIMC and/or its associates), details of which are set out in the table below. To the best information and knowledge of our Company, save as disclosed hereunder, all the minority shareholders are Independent Third Parties:

Name of the Tier 1 PRC subsidiary	Approximate shareholding percentage held by our Company (and/or CIMC Vehicle Investment)		Approximate shareholding percentage held by other shareholders	
CIMC Jiangmen	Our Company	76.59%	Jiangmen Yinchuang Investment Partnership (Limited Partnership) (江門市銀創投資合夥企業(有限合夥))[(1)] (“Jiangmen Yinchuang”)	18.30%
			Shenzhen Xinrui Zhicheng Enterprise Management Center (Limited Partnership) (深圳市信睿智成企業管理中心(有限合夥))[(1)] (“Shenzhen Xinrui”)	5.11%
CIMC Dongyue	Our Company	70.10%	Shandong Huayue Investment Co., Ltd. (山東華岳投資有限公司)	25.00%
			Liangshan County Taifu Equity Investment Partnership (Limited Partnership) (梁山縣泰福股權投資合夥企業(有限合夥))[(2)]	4.90%
CIMC Luoyang	Our Company	71.47%	Luoyang Lingyu Industrial Development Co., Ltd. (洛陽凌宇實業發展有限公司)	26.18%
			Luoyang Lingyu Trade Center (Limited Partnership) (洛陽凌宇貿易中心(有限合夥))[(3)]	2.35%

Name of the Tier 1 PRC subsidiary	Approximate shareholding percentage held by our Company (and/or CIMC Vehicle Investment)		Approximate shareholding percentage held by other shareholders	
CIMC Wuhu	Our Company	72.26%	Wuhu Ruijiang Investment Co., Ltd. (蕪湖瑞江投資有限公司)	25.91%
			Wuhu Jiangyang Asset Management Center (Limited Partnership) (蕪湖江洋資產管理中心(有限合夥))(4)	1.83%
CIMC Vehicles (Shandong) Co., Ltd. (中集車輛(山東)有限公司)	Our Company	44.00%	Jinan Automobile Refit Factory (濟南汽車改裝廠)	12.99%
	CIMC Vehicle Investment	43.01%		
CIMC Jidong (Qinhuangdao) Vehicle Manufacturing Co., Ltd. (中集冀東(秦皇島)車輛製造有限公司)	Our Company	50.00%	Tangshan Jidong Material & Trade Group Co., Ltd. (唐山市冀東物貿集團有限責任公司)	25.00%
	CIMC Vehicle Investment	25.00%		
CIMC-SHAC	Our Company	50.00%	Shaanxi Heavy Automobile Co., Ltd. (陝西重型汽車有限公司)	25.00%
	CIMC Vehicle Investment	25.00%		
Vanguard Trailer Rental	Our Company	55.00%	Shenzhen Huixin Enterprise Management Center (Limited Partnership) (深圳匯信企業管理中心(有限合夥))(5)	5.00%
	CIMC Vehicle Investment	25.00%	Zhenjiang Yulong Investment Co., Ltd. (鎮江裕瓏投資有限公司)	5.00%
			HOPU Trailer Investment Company Limited	10.00%

(1) Both Jiangmen Yinchuang and Shenzhen Xinrui are the employees' shareholding platforms of CIMC Jiangmen and are therefore our core connected persons.

(2) Liangshan County Taifu Equity Investment Partnership (Limited Partnership) is the employees' shareholding platform of CIMC Dongyue and is therefore our connected person.

(3) Luoyang Lingyu Trade Center (Limited Partnership) is the employees' shareholding platform of CIMC Luoyang and is therefore our core connected person.

(4) Wuhu Jiangyang Asset Management Center (Limited Partnership) is the employees' shareholding platform of CIMC Wuhu and is therefore our core connected person.

(5) Shenzhen Huixin Enterprise Management Center (Limited Partnership) is the employees' shareholding platform of Vanguard Trailer Rental and is therefore our core connected person.

3. Our Company indirectly holds (1) Shandong Wanshida through CIMC Dongyue, which holds 100% equity interest in Shandong Wanshida; (2) Wuhan Shengji Logistics, Shenzhen Shengji Logistics, and Shanghai Rongji Logistics through Vanguard Trailer Rental, which holds 100% equity interest in Wuhan Shengji Logistics, Shenzhen Shengji Logistics and Shanghai Rongji Logistics.

4. Our Company, together with our wholly owned subsidiary, CIMC Vehicle Investment, holds 100% equity interest in the following Tier 1 PRC subsidiaries:

    (1) CIMC Liaoning, which is owned by our Company and CIMC Vehicle Investment as to 75.00% and 25.00%, respectively.

    (2) Shanghai CIMC Special Vehicles Co., Ltd. (上海中集專用車有限公司), which is owned by our Company and CIMC Vehicle Investment as to 75.00% and 25.00%, respectively.

    (3) CIMC Shenzhen, which is owned by our Company and CIMC Vehicle Investment as to 75.00% and 25.00%, respectively. It in turn holds 100% equity interest in CIMC Dongguan.

    (4) Huajun Foundry, which is owned by our Company and CIMC Vehicle Investment as to 68.30% and 31.70%, respectively.

    (5) Huajun Vehicle, which is owned by our Company and CIMC Vehicle Investment as to 74.50% and 25.50%, respectively. It in turn holds 100% equity interest in CIMC Gansu.

    (6) CIMC Shanghai Logistics, which is owned by our Company and CIMC Vehicle Investment as to 40.00% and 60.00%, respectively. CIMC Shanghai Logistics owns 100% equity interest in Shanghai CIMC Automobile Examination and Repair Co., Ltd. (上海中集汽車檢測修理有限公司) and 79.22% equity interest in CIMC Shanghai Baojian. The remaining 20.78% equity interest in CIMC Shanghai Baojian is owned by an Independent Third Party Shanghai Xinjiang Industrial Co., Ltd. (上海新江實業有限公司).

    (7) Qingdao Reefer, which is owned by our Company and CIMC Vehicle Investment as to 62.25% and 37.75%, respectively.

    (8) Qingdao Special Vehicle, which is owned by our Company and CIMC Vehicle Investment as to 72.73% and 27.27%, respectively.

5. Our Company, together with our wholly owned subsidiary, Manson Technology, holds 100% equity interest in the following Tier 1 PRC subsidiaries:

    (1) Qingdao Eco-Equipment, which is owned by our Company and Manson Technology as to 53.00% and 47.00%, respectively.

    (2) Jiangsu Baojing, which is owned by our Company and Manson Technology as to 72.00% and 28.00%, respectively.

6. Manson Technology is a wholly owned subsidiary of our Company incorporated in Hong Kong on April 26, 2000.

7. CIMC Vehicle Investment is a wholly owned subsidiary of our Company incorporated in BVI on March 6, 1998.

8. Our Company, through Manson Technology, indirectly owns the following overseas subsidiaries:

    (1) Charm Beat Enterprises Limited, a company incorporated in BVI and wholly owned by Manson Technology. It owns 82.00% equity interest in CIMC Vehicle (Thailand) Co., Ltd. ("CIMC Thailand") and the remaining 18.00% equity interest in CIMC Thailand is owned by Sumitomo Corporation, our Shareholder.

    (2) CIMC Vehicles (Malaysia) Sdn Bhd., a company incorporated in Malaysia and wholly owned by Manson Technology.

    (3) CIMC Vehicles (Vietnam) Limited Liability Company, a company incorporated in Vietnam and wholly owned by Manson Technology.

    (4) CIMC Vehicle Europe GmbH, a company incorporated in Germany and wholly owned by Manson Technology.

(5) CIMC Trailer Poland Sp.z.o.o., a company incorporated in Poland, in which 99.00% equity interest is owned by Manson Technology and 1.00% equity interest is owned by CIMC Vehicle Investment.

(6) CIMC Australia Road Transport Equipment Pty Ltd., a company incorporated in Australia and wholly owned by Manson Technology. It in turn owns 100% equity interest in General Transport Equipment Pty Ltd. (incorporated in Australia).

(7) CIMC Rolling Stock Australia Pty Ltd., a company incorporated in Australia and, in which 70% equity interest is owned by Manson Technology and 30% equity interest is owned by CIMC Capital Australia Pty Ltd., an associated company of CIMC Group.

9. Our Company, through our wholly owned subsidiary, CIMC Vehicle Investment, indirectly owns the following overseas subsidiaries:

(1) CIMC Vehicles (HK) Limited, a company incorporated in Hong Kong and wholly owned by CIMC Vehicle Investment.

(2) CIMC Holdings Australia Pty Ltd., a company incorporated in Australia and wholly owned by CIMC Vehicle Investment. It in turn owns the entire equity interest in each of Marshall Lethlean Industries Pty Ltd. and CIMC Vehicle Australia Pty Ltd., both of which were incorporated in Australia.

(3) CIMC USA, Inc. ("CIMC USA"), a company incorporated in the United States and wholly owned by CIMC Vehicle Investment. CIMC USA holds the entire equity interest in CIE, CIMC Reefer Trailer, Inc. and Vanguard National Trailer, which were all incorporated in the United States.

(4) CIMC Commercial Tires Inc., a company incorporated in the United States, in which 55% equity interest is held by CIMC USA, 25% equity interest is held by an Independent Third Party, Zhongce Rubber Group and 20% equity interest is held by an Independent Third Party, Leopard Inc., respectively.

(5) CIMC Vehicles South Africa (Pty) Ltd., a company incorporated in South Africa and wholly owned by CIMC Vehicle Investment.

(6) CIMC TRAILER RUS LLC, a company incorporated in Russia, in which 99.99% equity interest is held by CIMC Vehicle Investment and 0.01% equity interest is held by Manson Technology.

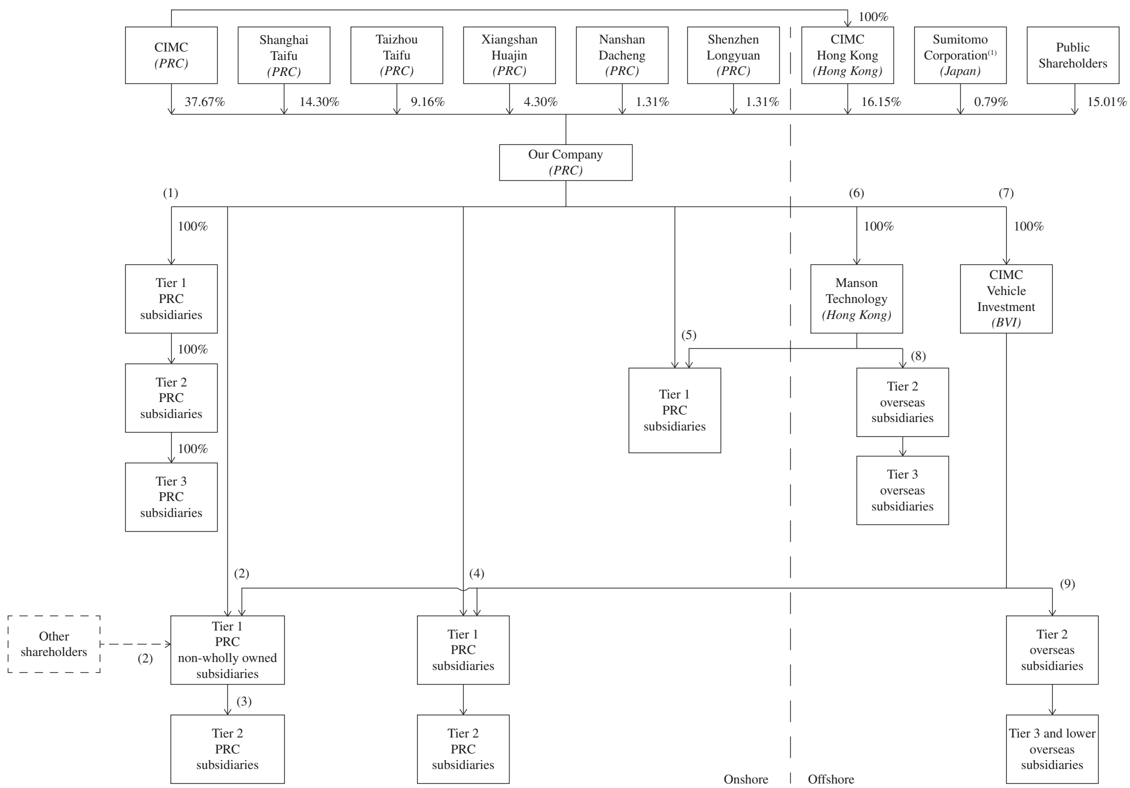
(7) CIMC Vehicles (Bahrain) Factory WLL, a company incorporated in Bahrain, in which 70% equity interest is owned by CIMC Vehicle Investment and the remaining 30% equity interest is owned by an Independent Third Party, Zahid Tractor & Heavy Machinery Co. Ltd.

(8) CIMC Vehicle Europe Coöperatief U.A. ("CIMC Vehicle Europe"), a company incorporated in Netherlands, is directly owned by CIMC Vehicle Investment and Manson Technology as to 99% and 1% of its equity interest, respectively. CIMC Vehicle Europe directly holds 100% equity interest in each of CIMC Vehicles UK Limited (incorporated in the UK, "CIMC Vehicles UK"), Burg Carrosserie B.V. (incorporated in Netherlands) and Exploitatiemaatschappij Intraprogres B.V. (incorporated in Netherlands). CIMC Vehicle Europe also indirectly holds 100% equity interest in (i) MDF Engineering Ltd., SDC Trailers and Retlan Manufacturing Limited (all of which were incorporated in the UK), through CIMC Vehicles UK, (ii) Burg Trailer Service B.V. (incorporated in Netherlands), through Burg Carrosserie B. V., (iii) Immoburg NV (incorporated in Belgium), LAG Polska Sp.z.o.o. (incorporated in Poland), LAG Service Polska Sp.z.o.o. (incorporated in Poland), LAG Immopolska Sp.z.o.o. (incorporated in Poland) and LAG Trailers (incorporated in Belgium) through Burg Carrosserie B.V. and Exploitatiemaatschappij Intraprogres B.V..

(9) Growth Fortune Fze, a company incorporated in Djibouti and wholly owned by CIMC Vehicle Investment.

Corporate structure immediately following completion of the Global Offering

The following chart sets forth our shareholding structure immediately following completion of the Global Offering (assuming the Over-Allotment Option is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



* Our H Shares held by Sumitomo Corporation will be counted towards public float following completion of the Global Offering.

OVERVIEW

We are a leader in the global semi-trailer industry with well-recognized brands in the principal markets where we operate. We began to manufacture and sell semi-trailers in 2002. According to Frost & Sullivan, we have been the world's largest semi-trailer manufacturer in terms of total sales volume for five consecutive years since 2013, with a 10.3% market share in 2017 in terms of sales volume of semi-trailers. In China, we ranked first in the semi-trailer industry by sales volume in 2017, with a market share of 15.7%. In North America, our principal overseas market, we ranked among the top five semi-trailer manufacturers in 2017 in terms of sales volume, according to Frost & Sullivan.

We primarily engage in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles. Our semi-trailer products include five product lines, namely, chassis and flatbed trailers, fence trailers, tank trailers, refrigerated trailers and van trailers. In 2017, we launched our center-axle car carrier in China. Our truck body products include dump beds for dump trucks, mixers for mixer trucks and a wide range of other truck bodies for specialty vehicles.

We market and sell an extensive range of semi-trailers and truck bodies in China, North America, Europe and other regions, covering over 40 countries. We market and sell our products in China under the "CIMC (中集)," "CIMC Tonghua (中集通華)," "CIMC Huajun (中集華駿)," "Ruijiang Vehicles (瑞江汽車)," "Dongyue Vehicles (東岳車輛)" and "Lingyu Vehicles (凌宇汽車)" brands, and outside China under the "CIMC," "Vanguard," "SDC" and "LAG" brands, which are among the most recognized names in the global semi-trailer industry.

We demonstrated a track record of revenue and profit growth in recent years. In 2016, 2017 and 2018, our revenue was RMB14,555.6 million, RMB19,367.0 million and RMB24,168.2 million, respectively, and our profit for the year was RMB752.8 million, RMB1,011.5 million and RMB1,232.0 million, respectively.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

Highly integrated and synergistic global operation and local knowledge

We believe "global operation, local knowledge" (全球營運, 地方智慧) has been our most valued competitive advantage and the key to our continued growth and leading position in the global semi-trailer industry.

We attribute the success of our global operations to our strong capabilities in terms of cross-over design, inter-continental production and global supply chain:

- *Cross-over design:* Capitalizing on our successful acquisitions and integration of several well-known brands in China, North America and Europe, we enjoy significant synergies from sharing design and production knowledge among our product portfolios across these regions. For example, by utilizing the tank trailer design expertise of LAG Trailers, we can efficiently adapt our trailer design to local standards and tailor our products to satisfy the needs of local markets, while also leveraging our cost-effective raw material procurement and strong production capability in China. In 2013, we developed for a well-known Middle Eastern oil company a series of customized oil tank trailers, the revenue from which in 2015 alone amounted to over US$50 million.

- *Inter-continental production:* Our main manufacturing and assembly plants are located across eight countries. To maximize the comparative advantages of our facilities in terms of cost, design and technologies, we typically manufacture certain products cost-effectively in China, such as chassis trailers, while conducting final assembly locally in the overseas markets. We also manufacture certain other products in the overseas plants, such as dry van trailers and curtain-side trailers, which are manufactured in our plants in the US and the UK, respectively. Our inter-continental production is largely enabled by our tailored product design and packaging solution to better utilize the container space for packing more components, which minimizes our logistic and transportation costs.

- *Global supply chain:* Benefiting from economies of scale, our strong bargaining power and extensive supplier options globally, we enjoy enhanced procurement efficiency, including access to large-scale steel supplies with competitive pricing in China and a wide selection of advanced or customized parts and components meeting local specifications. We secure the supply of key raw materials, parts and components through our long-term strategic relationships with leading global suppliers. We also enjoy deepened cooperation with certain key suppliers through joint research and development efforts. In addition, our customers can enjoy convenient maintenance and repair services from our suppliers, such as BPW, with its extensive global network.

We believe that "local knowledge" is the other pillar of our core competitiveness. To drive our long-term growth and capture local market opportunities more efficiently, we leverage the knowledge and experience of localized management teams to better understand local customer preferences and regulatory requirements, which allows us to overcome difficulties arising from cultural and geographical differences. As of December 31, 2018, our overseas staff accounted for approximately 16.3% of our total number of employees. To better support our global operations, we have adopted the following measures:

- engaging local management teams for daily operations;

- adopting profit-sharing incentive programs;

- granting appropriate level of authority to local chief executive officers; and

- establishing effective corporate governance.

We believe the continuous pursuit and successful implementation of "global operation, local knowledge" has allowed us to expand our business in global markets and to create synergies among our subsidiaries in different countries in terms of design, supply chain, manufacturing and assembly, as well as sales and services.

Outstanding manufacturing and research and development capabilities

In recent years, we have expanded the geographical coverage of our production. We have established 31 manufacturing and assembly plants located in China, the US, the UK, Belgium, Poland, Australia, Thailand and South Africa. As of December 31, 2018, our global manufacturing plants have a combined capacity to produce over 160,000 units per year.

In addition to expanding our global coverage, we have been upgrading and improving our manufacturing practices and processes, focusing on modularized designs and automated production. In 2014, we launched our "Light Tower" plants in China, under which we transformed our traditional labor-intensive production into an automated process. These "Light Tower" plants are manufacturing plants with highly automated equipment, such as digital laser cutters, robotic welding stations and KTL and powder coating lines, to help us improve product quality and consistency, enhance productivity and cost efficiency. In addition, we have adopted environmentally friendly technology, such as KTL to reduce waste discharge. As of the Latest Practicable Date, we had three automated "Light Tower" plants, in Dongguan, Yangzhou and Zhumadian.

We have also focused our research and development efforts on upgrading technical features, enhancing product performance and increasing the standardization of key components. Due to these efforts, we have streamlined our production process and improved our manufacturing and assembly efficiency.

As of December 31, 2018, we had over 600 research and development personnel, comprising electrical engineers, mechanical engineers, industrial design engineers, software and computer system engineers, who are based in China and overseas, such as in the UK and Belgium. We introduced the first generation of center-axle car carriers, and the first generation of curtain-side trailers in China. We led or actively participated in the development of 14 national and industry standards in China. We held over 800 patents on our products and technologies globally as of the Latest Practicable Date. We believe these achievements are a testament to our continual pursuit of innovation and strong research and development capabilities that have led to market-leading products.

Proven track record of successful worldwide acquisitions and investments

Our global operations have benefited from our selective and successful worldwide acquisitions and effective integrations. Since we began to manufacture and sell semi-trailers in 2002, we have strategically expanded our product portfolio and established geographic coverage in China, North America and Europe through a series of acquisitions:

- In China, the acquisition of CIMC Yangzhou and Huajun Vehicle in 2004 enabled us to expand our business in the PRC semi-trailer and truck body markets. We have also expanded our product portfolio by investing in CIMC Luoyang, CIMC Wuhu and CIMC Dongyue in 2007, all of which are well-known semi-trailer and truck body manufacturers in China. These acquisitions also diversified our product portfolio, enhanced our brand and market position, and increased our market share in different regions in China.

- In North America, we acquired Vanguard National Trailer in 2015, our first US business specializing in dry van trailers, which was established by CIMC in 2003. Our senior management team carried out a series of effective restructuring measures to turn around its business from near-bankruptcy to a prominent dry van trailer manufacturer in North America. Our business expansion in the US refrigerated trailer and chassis trailer markets mainly resulted from our establishment of CIMC Reefer Trailer Inc. and our acquisition of CIE.

- In Europe, we acquired LAG Trailers, a Belgium-based manufacturer specializing in tank trailers, which was previously acquired by CIMC in 2007. Upon the acquisition of LAG Trailers in 2015, we carried out a series of restructuring measures to turn around its operations from continuous losses to a net profit during the Track Record Period. We later acquired SDC Trailers in 2016, a UK-based manufacturer specializing in curtain-side trailers and chassis trailers. This acquisition has further expanded our product portfolio, and strengthened our presence in the European market.

Our implementation of an efficient and localized operation and management model, such as putting in place an effective profit-sharing incentive program, prioritizing high-value product sales and adopting cost reduction initiatives, have helped us achieve extensive global reach and significant synergies across regions.

As a leading global semi-trailer manufacturer, we distinguish ourselves by providing customers with innovative and integrated solutions. For example, in 2017, we started our trailer rental business in China. Utilizing our extensive customer base and sales and services network, we can provide more flexible fleet management solutions to our customers in the logistics business. Moreover, our trailer rental services support our after-sales business and enhance market acceptance of our new semi-trailer products.

We believe the proven track record of our strong acquisition and integration capabilities will enable us to effectively seize further consolidation opportunities, strengthen our leading position in China and overseas markets and further improve our profitability.

Comprehensive portfolio of brands and products targeting different regional markets and customers

We maintain a multi-brand strategy supported by a comprehensive portfolio of semi-trailer and truck body products. We have established ourselves as a leading global semi-trailer manufacturer with well-recognized brands in the principal markets where we operate.

We market our products under nine major brands, each with distinct brand positioning:

- Our CIMC-branded products principally include chassis and flatbed trailers, fence trailers, tank trailers, refrigerated trailers, van trailers, center-axle car carriers and mixers for mixer trucks, which are marketed in the mid-level to high-end segments of semi-trailers and truck body markets. Our CIMC-branded products are mainly offered in China, the US, Poland, Malaysia, Thailand and Australia.

- In China, CIMC Huajun and CIMC Tonghua are our brands marketed in the mid-level to high-end segments of semi-trailers and truck bodies, Ruijiang Vehicles and Lingyu Vehicles are mainly marketed to the mid-level market segment, and Dongyue Vehicles mainly in the affordable market segment. These brands mainly offer chassis and flatbed trailers, fence trailers, tank trailers, center-axle car carriers, dump beds for dump trucks and mixers for mixer trucks.

- Vanguard is a well-known US trailer brand that is mainly marketed in the dry van trailer and refrigerated trailer markets. Our Vanguard-branded products are mainly sold in North America to leading logistics companies requiring professional equipment.

- In Europe, SDC Trailers is a leading manufacturer of curtain-side trailers and chassis and flatbed trailers, and LAG Trailers is a leading tank trailer manufacturer. LAG Trailers has over 80 years of operating history in the trailer manufacturing industry. Our SDC and LAG-branded products are marketed in the mid-level to high-end market segments and mainly sold in Europe.

We believe that our strong portfolio of well-known brands and products have been essential to our success, and will provide us with a solid basis to further penetrate various markets.

Experienced and visionary management team and solid corporate governance

We have an experienced and visionary global management team whose industry and corporate management experience has allowed us to establish a track record of strong financial performance. Core members of our senior management team have an average of over 24 years of professional experience in related industries, and an average of over 14 years of experience with us. Since we began to manufacture and sell semi-trailers in 2002, Mr. Mai Boliang, our chairman, and Mr. Li Guiping, our chief executive officer and president, have worked together to build our Company from the ground up, and have led the strategic direction of our operations along the way. Mr. Mai Boliang has over 30 years of industry and management experience in related industries. Mr. Li Guiping has 15 years of experience in the trailer industry in addition to over 14 years of professional experience in related industries. We intend to continue to draw on our management's industry expertise and professional management skills to successfully implement our growth strategies. We believe that the proven capability, leadership, vision, loyalty and consistent efforts of our management team and their extensive experience in the trailer industry are key to our success and will continue to drive our future growth.

We have a well-established corporate governance structure designed for global operations. As a subsidiary of CIMC, a leading global equipment and solution provider listed in China and Hong Kong, we have established a transparent and well-developed governance structure. The investments from, and our business relationship with, our key Shareholders have also demonstrated their confidence in our corporate governance structure, which will continue to be the basis for our sustainable growth.

STRATEGIES

Our objective is to strengthen our leading position in the global semi-trailer market. To this end, we intend to implement the following key strategies:

Strengthen our global operations with comprehensive local knowledge

We will continue to deepen our global operations and enhance our presence in selected markets. To achieve this goal, we plan to focus our efforts on expanding and upgrading our manufacturing and assembly capabilities. We also actively explore opportunities across regions, to create synergies with local brands in terms of design, manufacturing and sales support.

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

- *Europe*: We intend to increase our assembly capability for curtain-side trailers, swap bodies and refrigerated trailers in Europe. In particular, we plan to develop (i) a new assembly plant for curtain-side trailers in the UK to replace the assembly line for curtain-side trailers in our manufacturing plant in Belfast, the UK and support the assembly of our curtain-side trailers manufactured in China and then assembled and delivered in Europe and to increase our market share for curtain-side trailers in Europe, in particular the UK, where we have established presence and there is relatively high market demand for curtain-side trailers as they are widely used in road transportation, as well as other neighboring countries such as the Scandinavian region, where we anticipate to enter considering its proximity to this new assembly plant and the relatively high market demand in this region sustained by its economic stability, (ii) a new assembly plant for swap bodies in the Netherlands to further promote our swap body products and to increase production and delivery capacity for swap bodies in Europe to capture local demand, and (iii) a new assembly plant for high-end refrigerated trailers in the UK or Poland to support our launch and sale of our high-end refrigerated trailers to enter the European refrigerated trailer market. With the local assembly plants closer to our European customers, we can shorten delivery time, diversify after-sales services, and better adapt our products in response to local market changes efficiently to maintain closer relationship with our European customers and enhance customer loyalty. See "Future Plans and Use of Proceeds."

- *China*: We will continue to develop our Yangzhou "Light Tower" plant and to build a production line for chassis, curtain-side and stake trailers at our Zhumadian "Light Tower" plant. These two projects were under construction as of the Latest Practicable Date. In addition, we intend to upgrade our Liangshan plant for chassis and flatbed trailers and our Wuhu plant for tank trailers to increase production precision and efficiency.

- *Other regions*: We also intend to expand our production and marketing efforts in Djibouti to enhance our operations in Africa.

We also focus on enhancing our global operations by leveraging and utilizing local knowledge of our strategic partners and local management teams. During the Track Record Period, we collaborated with several partners to enhance the features and reliability of our products, such as trailer stability and anti-corrosion performance of the trailer coating. We also formed strategic alliances with Han's Laser, Siasun Robot, Siemens and other partners, which are leading solution providers in their respective industries, to develop our "Light Tower" plants. We believe that these strategic alliances will help us enrich our "local knowledge" base, further improve our product quality and customer experience and fine-tune our product models to maximize product performance in varying working environments and conditions.

Through our continual efforts in expanding and upgrading our manufacturing and assembly plants, we will be able to further reduce procurement costs while enjoying more comprehensive production resources to capture evolving market demand and growth in various regions. The expansion of our global operations will continually benefit from our local knowledge and localized management.

Further digitalize our production process

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

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

Continue to develop new products and improve product features

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

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

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

Promote an agile organization adaptive to digitalized manufacturing and operation

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

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

Capturing emerging business opportunities with growth potential

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

We believe that we can utilize our digitalized production capability to adapt to the fast-evolving and differentiated market demand more flexibly and with lower costs and achieve sustainable growth in profitability in the long run.

AWARDS AND RECOGNITION

We enjoy strong brand recognition worldwide, and have received numerous awards and recognition for the quality and reliability of our products, our research and development capability and the quality of our after-sales services. The following table sets out our major awards and recognition during the Track Record Period.

Award-winning Entity	Awards and Recognition	Year	Issuing Authority
CIMC Vehicles	The 16th China Top Ten Management Practices of 2018	2018	World Manager Magazine (世界經理人雜誌)
	China's Leading Specialty Vehicle Enterprise	2018	China Automotive Technology and Research Center Co., Ltd. (中國汽車技術研究中心)
	2018 Talent Management Innovation Award	2018	Guangdong Talent Development and Management Research Association (廣東省人才開發與管理研究會)
	China Road Freight Transportation Industry Gold Award	2017	China Federation of Logistics & Purchasing (中國物流與採購聯合會)
	Top 100 Enterprises in the Machinery Industry and Top 30 Enterprises in the Automotive Industry	2017	China Machinery Industry Federation (中國機械工業聯合會)
	Top 100 Enterprises in the Machinery Industry and Top 30 Enterprises in the Automotive Industry	2016	China Machinery Industry Federation
	Director of the China Automobile Industry Association Special Vehicle Branch	2016	China Association of Automobile Manufacturers (中國汽車工業協會)
Huajun Vehicle	China Well-known Trademark	2018	The State Administration for Industry & Commerce of the PRC (中國國家工商行政管理總局)
	Top 100 Private Enterprises	2017	Henan Provincial Federation of Industry and Commerce (河南省工商業聯合會)

Award-winning Entity	Awards and Recognition	Year	Issuing Authority
	Innovative Leading Enterprise	2017	Department of Science and Technology of Henan Province (河南省科學技術廳), Henan Province Development and Reform Commission (河南省發展和政革委員會) and Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳)
CIMC Yangzhou	Integration of Information and Industrialization Management System Certificate	2018	China Electronics Standardization Institute (中國電子技術標準化研究院)
	Excellent supplier of hazardous goods logistics technology equipment in China	2017	China Transportation Association (中國交通運輸協會)
SDC Trailers	Trailer Innovation 2019: Third place in the 'Body' category (awarded for its hydraulic lifting deck curtain-side trailer)	2018	Trailer Innovation
	Top Team (awarded for its state of the art in-house training facilities)	2017	Export & Freight
	Trailer Innovation 2017: Second place in the 'Concept' category (awarded for its kinetic energy recovery system (KERS) for semi-trailers)	2016	Trailer Innovation
CIMC Wuhu	Famous Brand of Anhui (Mixer Truck)	2017	Famous Brand Strategy Promotion Committee of Anhui Province (安徽省名牌戰略推進委員會)
CIMC Shandong	China's Cold Chain Double-year "Golden Chain Award" Top 10 Transportation Technology Equipment Service Provider	2016	China Federation of Logistics & Purchasing
CIMC Luoyang.	National Top Ten After-sales Service Company	2017	China Business Federation (中國商業聯合會) and China Consumer Protection Foundation (中國保護消費者基金會)

OUR BUSINESS

We principally engage in the manufacture and sale of semi-trailers and truck bodies. Our major semi-trailer products comprise:

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

A typical semi-trailer we produce is mainly used to transport goods and materials, and is an unpowered trailer without a front axle and towed by a powered vehicle, commonly known as a tractor unit. We do not manufacture tractor units. A tractor unit is usually installed with a "fifth-wheel coupling" used to couple with a semi-trailer.

We began to manufacture and sell center-axle car carriers in 2017. A center-axle car carrier we produce typically consists of two parts, (i) a front truck, which is configured with a truck body, equipped with a head rack over the driving compartment and installed on a truck chassis, and (ii) a center-axle trailer attached to the front truck.

In addition, we manufacture and sell truck bodies for specialty vehicles in China. Our major truck body products are dump beds for dump trucks and mixers for mixer trucks. Generally, for a specialty vehicle, the truck body can be easily installed onto, or detached from, the truck chassis. We do not manufacture truck chassis, which provide motive power for a specialty vehicle and can be driven as a standalone vehicle. However, in line with the industry practice in China, we typically sell our dump beds and a small proportion of our mixers as a standalone product, and install them onto the truck chassis provided by our customers, who are mostly truck manufacturers or their dealers, at our manufacturing plants. Typically in the case of our mixers, we purchase the truck chassis requested by our customers and install the mixers we manufacture onto such truck chassis to form fully-assembled mixer trucks, which we then sell to these customers.

We also sell certain parts and components purchased from third-party manufacturers, such as axles, tires, lights and braking systems and, to a lesser extent, parts and components manufactured by us, mainly shafts.

Our industry is subject to seasonal fluctuations. The semi-trailer and truck body markets tend to be more active in our peak months, typically during the second quarter of the year. Purchases from our customers are highest during these months as that is when their daily operations are most active.

We principally generate revenue from the manufacture and sale of vehicles, mainly semi-trailers and truck bodies. The following table sets forth our revenue breakdown by nature for the years indicated:

	Year ended December 31,					
	2016		**2017**		**2018**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in millions, except percentages)					
Sales of Vehicles	13,272.5	91.2%	17,628.8	91.0%	22,295.6	92.3%
Sales of Parts and Components	970.6	6.7	1,381.6	7.1	1,488.2	6.1
Others[1]	312.5	2.1	356.6	1.8	384.4	1.6
Total	**14,555.6**	**100.0%**	**19,367.0**	**100.0%**	**24,168.2**	**100.0%**

(1) Mainly consist of rental income, after-sales services, repair and replacement services, supply chain services, trade-in services and sales of used semi-trailers after refurbishment.

Brand and Product Portfolio

We offer a comprehensive brand and product portfolio in China, North America, Europe and other regions. To meet the diversified needs of users in the global market, we have successfully maintained a multi-brand strategy with a wide range of semi-trailers and truck bodies. Our brands are well recognized in our key operating markets. The following table sets forth details of our key brands.

CIMC (中集)	**Geographic focus**: China, North America, Europe, Australia, Malaysia, Saudi Arabia, South Africa and Thailand **Brand positioning**: mid-level to high-end market segments of a wide range of semi-trailers and truck bodies
CIMC Huajun (中集華駿)	**Geographic focus**: China **Brand positioning**: mid-level to high-end market segments of a wide range of semi-trailers and truck bodies
CIMC Tonghua (中集通華)	**Geographic focus**: China **Brand positioning**: mid-level to high-end market segments of a wide range of semi-trailers and truck bodies
Ruijiang Vehicles (瑞江汽車)	**Geographic focus**: China **Brand positioning**: mid-level market segments of a wide range of semi-trailers and truck bodies
Dongyue Vehicles (東岳車輛)	**Geographic focus**: China **Brand positioning**: affordable market segments of a wide range of semi-trailers and truck bodies
Lingyu Vehicles (凌宇汽車)	**Geographic focus**: China **Brand positioning**: mid-level market segments of a wide range of semi-trailers and truck bodies
Vanguard	**Geographic focus**: North America **Brand positioning**: mid-level to high-end market segments of dry van trailers and refrigerated trailers
SDC	**Geographic focus**: Europe **Brand positioning**: mid-level to high-end market segments of curtain-side trailers, chassis and flatbed trailers
LAG	**Geographic focus**: Europe **Brand positioning**: mid-level to high-end market segments of tank trailers

In China, the maximum useful life of our products is subject to Provisions on the Standards for Compulsory Retirement of Motor Vehicles (機動車強制報廢標準規定) promulgated by the MOFCOM, the NDRC, the Ministry of Public Security and the Ministry of Environmental Protection in December 2012. The maximum useful life for trailers or semi-trailers that transport hazardous materials, semi-trailers that transport containers, and other semi-trailers are 10 years, 20 years and 15 years, respectively. There are no such laws or regulations specifying the minimum useful life of our products, which will mainly depend on the application and maintenance of each vehicle, as well as the status of its key components, such as the cooling apparatus for our refrigerated trailers.

In the US and Europe, there are no specific laws or regulations on the useful life of semi-trailers, which would normally depend on the application and maintenance of the products by our customers and the status of the key components.

China

In China, we principally engage in the manufacture and sale of semi-trailers and truck bodies under the "CIMC," "CIMC Tonghua," "CIMC Huajun," "Ruijiang Vehicles," "Lingyu Vehicles" and "Dongyue Vehicles" brands.

Semi-trailers and Center-axle Car Carriers

The following table sets forth the total sales volume and average price of our major products sold in China by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Sales Volume	Average Price	Sales Volume	Average Price	Sales Volume	Average Price
	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)
Semi-trailers	**51,386**	**79,081.5**	**60,196**	**83,144.7**	**47,529**	**90,323.4**
Chassis and Flatbed Trailers	24,525	59,633.4	27,973	64,670.1	22,471	69,257.3
Fence Trailers	13,891	62,661.0	17,808	72,804.0	10,830	78,803.3
Tank Trailers	11,531	140,765.8	13,047	135,298.8	12,931	134,717.7
– Liquid Tank Trailers	8,493	154,260.9	7,197	159,777.8	5,871	163,990.9
– Dry Bulk Tank Trailers	3,038	103,039.2	5,850	105,183.2	7,060	110,374.5
Van Trailers	1,439	74,759.6	1,368	98,117.0	1,297	108,887.6
Center-axle Car Carriers	**–**	**–**	**98**	**94,085.9**	**12,061**	**99,300.5**
Total	**51,386**	**79,081.5**	**60,294**	**83,162.5**	**59,590**	**92,140.4**

– Chassis and Flatbed Trailers

We mainly manufacture and sell chassis and flatbed trailers under the "CIMC," "CIMC Tonghua," "CIMC Huajun" and "Dongyue Vehicles" brands in China. In 2016, 2017 and 2018, the sales volume of our chassis and flatbed trailers in China was 24,525 units, 27,973 units and 22,471 units, respectively.

Our chassis and flatbed trailers mainly consist of (i) chassis trailers, (ii) flatbed trailers and (iii) terminal trailers:

- A chassis trailer is designed to carry and transport containers with cargo.
- A flatbed trailer is designed to haul bulk cargo, large-sized structures or irregular shaped cargo that can be stacked on and strapped down.
- A terminal trailer is designed to meet the demand of moving containers within closed areas of container terminals, and is not designed to operate on public roads.

The following table sets forth the main types of our chassis and flatbed trailer products:

Type	Picture	Product Description
Chassis Trailer. . .		A typical chassis trailer consists of two major parts: a skeleton frame with twist locking device to secure the containers, and a running gear system. The running gear system typically consists of three axles and a mechanical suspension system. Our chassis trailers are made of high-tensile steel for lighter weight without compromising on performance or durability.
Flatbed Trailer. . .		A typical flatbed trailer consists of a load floor and a bulkhead in the front to protect the tractor unit in the event of a load shifting. Our flatbed trailers are made of high-tensile steel for lighter weight without compromising on performance or durability. With the application of modularized design, our flatbed trailers share a structural frame with our fence trailers, which adds extra flexibility and economic efficiency to our production.
Terminal Trailer .		Our terminal trailers have a similar structure with our chassis trailers but without the twist locking device and are designed to enhance the efficiency of container placement.

– Fence Trailers

We mainly manufacture and sell fence trailers under the "CIMC," "CIMC Huajun," "CIMC Tonghua" and "Dongyue Vehicles" brands in China. In 2016, 2017 and 2018, the sales volume of our fence trailers in China was 13,891 units, 17,808 units and 10,830 units, respectively.

Our fence trailers principally consist of (i) side-wall trailers and (ii) stake trailers. A fence trailer is generally used for transporting bulk cargo, steel, timber, coal and construction materials.

The following table sets forth the major types of our fence trailer products:

Type	Picture	Product Description
Side-wall Trailer .		Our fence trailers, including side-wall trailers and stake trailers, are made of high-tensile steel for lighter weight without compromising on performance or durability. A stake trailer, with higher side guards, is a variant of the side-wall trailer.
Stake Trailer. . . .		

– Tank Trailers

We mainly manufacture and sell tank trailers under the "CIMC," "CIMC Tonghua" and "Ruijiang Vehicles" brands in China. In 2016, 2017 and 2018, the sales volume of our tank trailers in China was 11,531 units, 13,047 units and 12,931 units, respectively.

Our tank trailers mainly consist of (i) liquid tank trailers and (ii) dry bulk tank trailers:

- A liquid tank trailer manufactured by us is mainly used for the transportation of liquids, such as fuel, milk, chemicals and asphalt. We mainly offer two types of liquid tank trailers: aluminum alloy tank trailers and stainless steel tank trailers.

- A dry bulk tank trailer manufactured by us is mainly used for the transportation of powder materials, such as cement and grain.

The following table sets forth the major types of our tank trailer products:

Type	Picture	Product Description
Liquid Tank Trailer		Our tank trailers mainly consist of a tank body and a running gear system. We use high-tensile metals to build the barrels of the tank body. We use specialized jigs and machines for welding the barrels and fitting the valves for high precision, durability and safety. The running gear system of our tank trailers normally consists of three high-performance axles and an air suspension system.
Dry Bulk Tank Trailer	 	

– Van Trailers

We mainly manufacture and sell van trailers under the "CIMC" brand in China. In 2016, 2017 and 2018, the sales volume of our van trailers in China was 1,439 units, 1,368 units and 1,297 units, respectively.

Our van trailers mainly consist of (i) dry van trailers and (ii) curtain-side trailers.

- A dry van trailer is mainly used for transporting e-commerce parcels and bulk cargos.
- A curtain-side trailer is mainly used for transporting bulk cargos and pallets.

The following table sets forth the major types of our van trailer products:

Type	Picture	Product Description
Dry Van Trailer . .		A van trailer normally has two major parts: a van body and a running gear system. A dry van trailer consists of metal posts, as well as panels riveted to the posts to enclose the loading space. Our van trailers are made of high-tensile metals for lighter weight without compromising on performance or durability. We provide two types of dry van trailers: two-axle trailers and three-axle trailers. Wall panels used in our dry van trailers are made of aluminum and steel-plastic plate. Our curtain-side trailers are similar to dry van trailers, consisting of a frame body with movable side curtains for greater loading and unloading efficiency. The side curtains are made of high-strength tarpaulin with a waterproof coating. We leveraged the design expertise of SDC Trailers in producing curtain-side trailers in China.
Curtain-side Trailer		

– Center-axle Car Carriers

Center-axle car carriers are designed to transport passenger cars. We started to manufacture center-axle car carriers in China in 2017 to capture growth opportunities driven by new regulatory policies and evolving customer demand. Our center-axle car carriers are manufactured and sold under the "CIMC," "CIMC Huajun" and "CIMC Tonghua" brands in China. The sales volume of our center-axle car carriers was 98 units and 12,061 units in 2017 and 2018, respectively, including either the front truck or the center-axle trailer attached to the front truck.

The following table sets forth the major type of our center-axle car carrier products:

Type	**Picture**	**Product Description**
Center-axle Car Carrier . . .	 *Note: we do not manufacture the truck chassis in the picture above.*	A center-axle car carrier we produce typically consists of two parts: (i) a front truck, which is configured with a truck body, equipped with a head rack over the driving compartment and installed on a truck chassis, and (ii) a center-axle trailer attached to the front truck. Our center-axle car carriers are typically configured with a double-decker design. Our center-axle car carriers are made of high-tensile steel for lighter weight without compromising on performance or durability. KTL and powder coating are utilized for high anti-corrosion performance to prevent the contamination of the passenger cars carried.

Truck Bodies for Specialty Vehicles

We also manufacture and sell truck bodies for specialty vehicles in China. Generally, for a specialty vehicle, the truck body can be easily installed onto, or detached from, the truck chassis. Our major truck body products include dump beds for dump trucks and mixers for mixer trucks:

- A dump truck is mainly used for transporting construction materials and wastes; and

- A mixer truck is mainly used as a revolving drum to mix concrete cement for construction.

In line with the industry practice in China, we typically sell our dump beds and a small proportion of our mixers as a standalone product, and install them onto the truck chassis provided by our customers, who are mostly truck manufacturers or their dealers, at our manufacturing plants. Typically in the case of our mixers, we purchase the truck chassis requested by our customers and install the mixers we manufacture onto such truck chassis to form fully-assembled mixer trucks, which we then sell to these customers.

The following table sets forth sales details of truck bodies sold in China by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Sales Volume	Average Price	Sales Volume	Average Price	Sales Volume	Average Price
	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)
Dump beds	10,174	52,791.4	19,824	62,308.3	25,519	69,630.1
Mixers	4,000	98,575.0	9,302	101,935.1	16,846	107,139.1
Others	4,102	79,896.5	4,401	110,241.2	4,980	98,601.2
Total	**18,276**	**68,894.9**	**33,527**	**79,593.5**	**47,345**	**86,023.6**

The following table sets forth the major types of our truck body products:

Type of Truck Bodies	Picture	Product Description
Dump Bed	 *Note: we do not manufacture the truck chassis in the picture above.*	A typical dump bed is an open-box bed, which can be hinged at the rear and equipped with a hydraulic cylinder to lift the front to unload the materials in the bed. Our dump beds are made of high-tensile steel. The dump bed, formed in one piece, has a sliding cover and is usually equipped with a video monitoring system to monitor the unloading process.
Mixer	 *Note: we do not manufacture the truck chassis in the picture above.*	A typical mixer is a revolving drum with interior blades. The body and blades of our mixers are made of high-tensile and wear-resistant steel. Our mixers generally have a high discharge rate, and are of lightweight and durable construction.

Parts and Components and Other Businesses

We also engage in the manufacture and sale of parts and components and provide trailer rental services in China:

- *Sale of Parts and Components*. We also engage in the sale of parts and components, such as axles, tires and braking systems, which are generally purchased from third-party manufacturers. We also manufacture and sell certain parts such as shafts.

- *Semi-trailer Rental Services*. We began to provide semi-trailer rental services in China in August 2017 as a natural extension to our principal business. We lease chassis and flatbed trailers, dry van trailers and refrigerated trailers to our customers.

North America

In North America, we principally engage in the manufacture, assembly, marketing and sale of semi-trailers under the "Vanguard" and "CIMC" brands.

The following table sets forth sales details of key products sold in North America by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Sales Volume	Average Price	Sales Volume	Average Price	Sales Volume	Average Price
	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)
Chassis Trailers	23,332	68,618.2	29,330	66,573.5	47,246	71,735.6
Dry Van Trailers	10,582	161,500.7	9,466	163,796.7	11,722	159,149.9
Refrigerated Trailers	2,816	262,484.5	2,606	280,544.9	3,308	265,706.7
Total	**36,730**	**110,239.6**	**41,402**	**102,270.4**	**62,276**	**98,492.8**

Chassis Trailers

We mainly manufacture chassis trailers under the "CIMC" brand in China for assembly at our South Gate plant in the US and sales into North America. In 2016, 2017 and 2018, the sales volume of our chassis trailers in North America was 23,332 units, 29,330 units and 47,246 units, respectively.

The following table sets forth the major type of our chassis trailer products:

Type	Picture	Product Description
Chassis Trailer		Our chassis trailers are designed to carry and transport marine containers, domestic containers and tank containers. We utilize laser metal cutting, industrial robotic welding stations, as well as the KTL and powder coating lines in manufacturing our chassis trailers to achieve high performance and durability.

Dry Van Trailers

We manufacture dry van trailers under the "Vanguard" brand in the US, and sell them primarily into the US and Canada. A dry van trailer is designed for logistics and long-distance road transportation. In 2016, 2017 and 2018, the sales volume of our dry van trailers in North America was 10,582 units, 9,466 units and 11,722 units, respectively.

The following table sets forth the major types of our dry van trailer products:

Type	Picture	Product Description
Dry Van Trailer . .	 	Our dry van trailer has a box-shaped van body and a running gear system with a hot-dipped galvanized frame and beam offering high corrosion resistance. Our dry van trailers are mainly available in two types: (i) the Vanguard VIP series, which is lightweight and has aluminum side panels with wooden inner linings, and (ii) the Vanguard VXP series, which offers composite side panels.

Refrigerated Trailers

We mainly manufacture refrigerated trailers in China for assembly at our Monon plant and Moreno Valley plant in the US, and sell such products in North America under the "Vanguard" brand. In 2016, 2017 and 2018, the sales volume of our refrigerated trailers in North America was 2,816 units, 2,606 units and 3,308 units, respectively.

A refrigerated trailer is a box-shaped trailer with a cooling apparatus attached to insulated walls, used for hauling temperature-sensitive goods, such as frozen food. Our refrigerated trailer customers in North America mainly comprise cold chain logistics companies and supermarkets. There is also increasing usage of refrigerated trailers to transport high-precision electronic components, cosmetics and pharmacy products.

The following table sets forth our main refrigerated trailer product:

Type	Picture	Product Description
Refrigerated Trailer		Our refrigerated trailers adopt sandwich injection molding technology for panel foaming, which enables lower heat-leakage and higher strength. The cooling apparatus for our refrigerated trailers are mainly provided by Carrier Corporation and Thermo King Corporation.

Parts and Components

For after-sales service, we also offer an extensive selection of parts and components in the US which are purchased from third-party suppliers. We provide parts and components for a wide variety of freight transportation equipment traveling on road to fit different variety of trailer brands, as well as after-market sales of parts and components for intermodal vehicle chassis.

Europe

In Europe, we principally engage in the manufacture, marketing and sale of semi-trailers under the "LAG" and "SDC" brands. We offer extensive product types, which have been optimized for a wide range of applications and customer requirements, ranging from long-distance journeys to urban deliveries and transportation of various types of goods, for a variety of sectors, including transportation and logistics, retail, mining, manufacturing and construction. Our semi-trailers and truck bodies are characterized by their durability and reliability.

Our main semi-trailer products sold in Europe are curtain-side trailers, chassis and flatbed trailers, as well as tank trailers. We also engage in the manufacture and sale of parts and components, as well as the sale of used trailers.

The following table sets forth sales details of our key products sold in the European market by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Sales Volume	Average Retail Price	Sales Volume	Average Retail Price	Sales Volume	Average Retail Price
	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)	(Units)	(RMB/ Unit)
Curtain-side Trailers	1,667	178,755.2	3,522	171,558.2	3,074	185,133.7
Chassis and Flatbed Trailers	2,211	143,665.8	4,268	135,942.1	4,593	144,838.3
Tank Trailers	638	493,261.8	595	488,658.8	597	537,428.4
– Liquid Tank Trailers	481	513,088.0	414	516,364.7	303	602,468.4
– Dry Bulk Tank Trailers	157	432,522.3	181	425,290.9	294	470,397.4
Total	**4,516**	**206,007.8**	**8,385**	**175,930.9**	**8,264**	**188,188.3**

Curtain-side Trailers

Curtain-side trailers are one of the most commonly used types of semi-trailers in Europe. Our curtain-side trailers are built according to customers' requirements and are designed to offer maximum returns in terms of loading capacity and security.

The following table sets forth the major type of our curtain-side trailer product:

Type	Picture	Product Description
Curtain-side Trailer		Our curtain-side trailer is constructed with a market-leading sliding tarpaulin system. The running gear system of our curtain-side trailers consists of three high-performance axles and an air suspension system. Most of our curtain-side trailers are equipped with electronic braking systems, which reduce rollover risks.

Chassis and Flatbed Trailers

We produce chassis and flatbed trailers in Europe in various specifications for our customers to meet their requirements, including options such as adding toolboxes and loading security devices.

Our chassis trailers for the European market adopt an extendable skeleton frame supported by a running gear system and adjustable twist locking devices. This extendable skeleton frame enables our trailers to run more efficiently and safely under varying conditions. In addition, we also offer tank chassis trailers specifically designed for tank transportation, built with a lightweight aluminum alloy frame to maximize payload capacity.

Our flatbed trailers for the European market are mainly designed to haul large-sized structures or irregular shaped cargo. The cargo securing system includes side gates, lashing sockets and lashings. We fix the floorboard to the flatbed frame to support the cargo and enhance stability. The running gear system of our flatbed trailers consists of three high-performance axles and an air suspension system. Most of them are also equipped with electronic braking systems.

The following table sets forth the major types of our chassis and flatbed trailer products:

Type	Picture	Product Description
Chassis Trailer. . .		Our chassis trailers are made of high-tensile steel for light weight to maximize payload capacity and durability. We manufacture chassis trailers with both fixed and extendable sliding designs.
Flatbed Trailer. . .		Our flatbed trailers are built with durable, high-tensile steel chassis, and are available with alloy side guards to meet our customers' demand. We offer many variations, including extendable and crane trailers, and also provide flatbed trailers with forklifts.

Tank Trailers

Our tank trailers for the European market mainly consist of (i) liquid tank trailers and (ii) dry bulk tank trailers. Our tank trailers are mainly designed to carry liquid loads and dry bulk cargo.

The following table sets forth the major type of our tank trailer product:

Type	Picture	Product Description
Tank Trailer . .		We use high-grade metals to build the barrels of the tank body. The running gear system of our tank trailers consists of three high-performance axles and an air suspension system. Most of our tank trailers are equipped with disc brakes and electronic braking systems.

Parts and components and other after-market services

We offer a wide range of parts and components. We also provide semi-trailer refurbishment services to cater to our customers' needs for new bodywork and chassis modifications. We also provide trade-in services in Europe, and sell used semi-trailers after refurbishment.

Other Regions

We also export our products, mainly chassis and flatbed trailers, tank trailers, van trailers and refrigerated trailers, to approximately 40 other countries, mainly Algeria, Australia, Indonesia, Japan, Malaysia, Saudi Arabia, South Africa, Thailand and Vietnam. In 2016, 2017 and 2018, we produced and sold into other overseas markets 7,368 units, 10,293 units and 8,379 units of semi-trailers and other vehicles, respectively.

PRODUCTION FACILITIES AND PROCESS

We utilize the latest technologies currently available in the manufacture of semi-trailers globally to ensure the quality, flexibility and reliability of our products.

Production Facilities and Capacity

As of the Latest Practicable Date, we had 22 manufacturing plants across the world, with a combined designed annual production capacity of over 165,000 units.

In addition, as of Latest Practicable Date, we had nine assembly plants located across the US, Poland, Thailand, South Africa and Australia, whose main products comprise chassis and flatbed trailers, refrigerated trailers, curtain-side trailers, tank trailers, dump beds and swap bodies. Depending on our production capacity, delivery schedule and local market demand, our nine assembly plants are generally able to assemble between 26,000 units and 33,000 units per year.

The following map depicts the locations of our existing production facilities as of the Latest Practicable Date:

The following table sets forth certain information relating to our existing manufacturing plants as of the Latest Practicable Date:

Plant Name	Location	Operation Commencement Date	Major Products	Designed Annual Production Capacity[(2)]
				(Units)
China				
Dongguan plant ("Light Tower" plant)	Guangdong, China	July 2014	Chassis trailers and parts and components	20,000
Zhumadian plant ("Light Tower" plant)	Henan, China	August 2004[(1)]	Chassis and flatbed trailers, fence trailers, center-axle car carriers and dump beds for dump trucks	20,000
Shenzhen plant	Guangdong, China	May 2004	Chassis and flatbed trailers, and center-axle car carriers	15,000
Yangzhou plant ("Light Tower" plant)	Jiangsu, China	January 2004[(1)]	Tank trailers, van trailers, chassis trailers and center-axle car carriers	14,500
Liangshan plant I	Shandong, China	October 2007	Chassis and flatbed trailers	12,000
Wuhu plant	Anhui, China	March 2007	Mixers for mixer trucks, dry bulk tank trailers and liquid tank trailers	8,000
Zhenjiang plant	Jiangsu, China	July 2018	Swap bodies	8,000
Liangshan plant II	Shandong, China	August 2011[(1)]	Liquid tank trailers	8,000
Xi'an plant.	Shaanxi, China	September 2006	Dump beds for dump trucks	5,000
Baiyin plant	Gansu, China	June 2006	Fence trailers and chassis trailers	5,000
Qingdao refrigerated trailer plant	Shandong, China	November 2007	Refrigerated trailers	5,000
Yingkou plant	Liaoning, China	December 2005	Chassis and flatbed trailers, and fence trailers	5,000
Jinan plant	Shandong, China	March 2005[(1)]	Refrigerated vans	4,000
Luoyang plant	Henan, China	March 2007	Mixers for mixer trucks, liquid tank trailers and dry bulk tank trailers	4,000
Qingdao plant	Shandong, China	November 2004	Chassis and flatbed trailers, and fence trailers	3,000
Jiangmen plant	Guangdong, China	December 2004	Mixers for mixer trucks, dry bulk tank trailers and liquid tank trailers	3,000
Qingdao sanitation truck plant	Shandong, China	June 2007	Sanitation trucks	3,000
Zhenjiang refrigerated trailer plant	Jiangsu, China	July 2018	Refrigerated trailers	3,000

Plant Name	Location	Operation Commencement Date	Major Products	Designed Annual Production Capacity(2)
				(Units)
US				
Trenton plant	Georgia, the US	November 2015(1)	Dry van trailers	9,000
Monon plant	Indiana, the US	November 2015(1)		
Europe				
SDC (Toomebridge, Antrim, Star, Mansfield) plant . . .	the UK	June 2016(1)	Curtain-side trailers, and chassis and flatbed trailers	10,200
Bree plant	Belgium	November 2015(1)	Tank trailers	2,500

(1) Represents the date of acquisition of such plants.

(2) Designed annual production capacity is an estimation of the production volume for the relevant production processes for manufacturing plants based on the management's assessment of the amount of load that the manufacturing plant is capable of processing on an annual basis, which is based on the amount of time needed for its intended process that the manufacturing plant is designed for. The designed production capacity is derived from the assumption that we are in production of the main products of each plant for eight hours per day with total local working days per year. For example, we have assumed 250 working days in China, and 232 working days in the UK.

The following table sets forth certain information relating to our existing assembly plants as of the Latest Practicable Date:

Plant Name	Location	Operation Commencement Date	Major Products
US			
South Gate plant.	California, the US	November 2015(1)	Chassis trailers
Monon plant (CRTI) . . .	Indiana, the US	November 2015(1)	Refrigerated trailers
Moreno Valley plant. . . .	California, the US	November 2015(1)	Refrigerated trailers
Europe			
Gdynia plant	Poland	December 2015	Chassis trailers, curtain-side trailers and swap bodies
Other regions			
Rayong plant.	Thailand	December 2014(1)	Chassis and flatbed trailers
Johannesburg plant	South Africa	June 2015	Refrigerated trailers and dump beds for dump trucks
Perth plant	Australia	December 2013(1)	Dump beds for dump trucks and chassis trailers
Melbourne plant I	Australia	December 2015(1)	Curtain-side trailers, and chassis and flatbed trailers
Melbourne plant II	Australia	December 2015(1)	Tank trailers

(1) Represents the date of acquisition of such plants.

The following table sets forth the actual production volume and the average utilization rates of our manufacturing plants during the Track Record Period:

	Year ended or as of December 31,					
	2016		2017		2018	
Plant Name	Actual Production Volume(1)	Average Utilization Rate(2)(3)	Actual Production Volume(1)	Average Utilization Rate(2)(3)	Actual Production Volume(1)	Average Utilization Rate(2)(3)
	(Units)	(%)	(Units)	(%)	(Units)	(%)
China						
Zhumadian plant ("Light Tower" plant)	18,330	91.7%	23,395	117.0%	22,812	114.1%
Dongguan plant ("Light Tower" plant)	–	–	572	2.9	40,172	200.9
Shenzhen plant	31,068	207.1	37,270	248.5	15,889	105.9
Yangzhou plant ("Light Tower" plant)	18,050	124.5	26,267	181.2	27,332	188.5
Liangshan plant	6,126	51.1	6,438	53.7	4,596	38.3
Wuhu plant	7,522	94.0	8,692	108.7	12,723	159.0
Liangshan plant II	1,676	21.0	1,664	20.8	1,822	22.8
Xi'an plant	3,190	63.8	9,143	182.9	14,061	281.2
Baiyin plant	1,317	26.3	2,628	52.6	1,973	39.5
Qingdao refrigerated trailer plant	2,974	59.5	3,416	68.3	4,779	95.6
Yingkou plant	1,932	38.6	2,671	53.4	2,000	40.0
Jinan plant	3,172	79.3	3,319	83.0	3,703	92.6
Luoyang plant	3,873	96.8	6,926	173.2	8,972	224.3
Qingdao plant	4,784	159.5	4,903	163.4	5,364	178.8
Jiangmen plant	949	31.6	3,946	131.5	4,959	165.3
Qingdao sanitation truck plant	504	16.8	558	18.6	488	16.3
Zhenjiang plant(4)	–	–	–	–	280	3.5
Zhenjiang refrigerated trailer plant(5)	–	–	–	–	–	–
US						
Trenton plant Monon plant	10,582	117.6	9,466	105.2	11,722	130.2
Europe						
SDC (Toomebridge, Antrim, Star, Mansfield) plant	3,976	39.0	7,863	77.1	7,777	76.2
Bree plant	1,677	67.1%	1,938	77.5%	1,837	73.5%

(1) Total actual volume produced by the manufacturing plants.

(2) The average utilization rate is derived based on the actual production capacity for the year indicated divided by the designed production capacity for the year indicated.

(3) The designed production capacity is derived from the assumption that we are in production of the main product of each plant for eight hours per day with total local working days per year. The average utilization rate of our manufacturing plants across the globe may vary widely depending on market demand, production efficiency and customer requirements. At times, we may receive more orders than we have anticipated which require our plants to work beyond their designed production capacity, for example, we may have to operate during Sundays and public holidays or to extend the number of working hours to meet our production commitments, resulting in a utilization rate higher than 100%.

(4) Our Zhenjiang plant did not start production until November 2018.

(5) Our Zhenjiang refrigerated trailer plant did not commence its production until November 2018 and only had finished goods and started delivery in 2019.

Some of our manufacturing plants are equipped with flexible production lines, which are capable of producing different types of products based on customer demand. We believe this has not only allowed us to enjoy flexibility in production planning to quickly respond to changing market demand but has also reduced our capital expenditure and operating costs.

China

In China, we have 18 manufacturing plants for semi-trailer and truck body production. In particular, we launched our "Light Tower" plants in China in 2014 to upgrade and improve our manufacturing practices and processes. With our "Light Tower" plants, we strive to transform traditional labor-intensive production into a more automated process focusing on modularized, standardized and environment-friendly production. We have three automated manufacturing plants in Dongguan, Yangzhou and Zhumadian in China. These "Light Tower" plants are equipped with automated equipment, such as digital laser cutters, computer-numerically-controlled bending and folding machines, robotic welding stations as well as KTL and powder coating lines. By utilizing advanced manufacturing technologies, we can improve product quality and consistency and enhance productivity and cost efficiency. For example, we apply automated leveling and welding techniques to ensure the structural stability and rigidity of steel, and KTL and powder coating lines for corrosion resistance and environment-friendly production.

North America

In North America, we have two manufacturing plants and three assembly plants. Specifically, our Monon plant mainly produces two types of 53-foot dry van trailers. Our Trenton plant also focuses on the production of 53-foot dry van trailers. In addition, we assemble and sell chassis trailers and refrigerated trailers which we produce in China.

Europe

Following our acquisition of SDC Trailers and LAG Trailers, we have one manufacturing plant in the UK for curtain-side trailers, and chassis and flatbed trailers, and another manufacturing plant in Belgium for aluminum alloy and stainless steel tank trailers. We also operate an assembly plant in Poland.

Capacity Expansion and Upgrade Plans

We will continue to deepen our global operations and enhance our presence in selected markets. To achieve this goal, we will continue to selectively expand and upgrade our manufacturing and assembly capabilities to meet the increasing market demand for our products. See "– Strategies."

We expect to incur capital expenditures of approximately RMB1.7 billion in 2019. These expected capital expenditures are primarily for the expansion and upgrading of our manufacturing and assembly plants. We expect to finance our capital expenditures through cash generated from our operations, bank borrowings and proceeds from the Global Offering. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. If we are unable to increase our production capacity, we may lose orders and, as a result, our market share. For details, see "Risk

Factors – Risks Relating to Our Business – Our future success depends, in part, on our ability to expand our production capacity and to further improve our productivity and upgrade our production facilities, which is subject to risks and uncertainties."

China

We will continue to develop our Yangzhou "Light Tower" plant by relocating to the new manufacturing plant under construction, which is expected to be a research, development and manufacturing complex for semi-trailers and truck bodies, and to build a production line for chassis, curtain-side and stake trailers at our Zhumadian "Light Tower" plant. These projects were under construction as of the Latest Practicable Date. In addition, we intend to upgrade our Liangshan plant for chassis and flatbed trailers and our Wuhu plant for tank trailers.

The following table sets forth our manufacturing plants under construction in China as of the Latest Practicable Date:

Plant Name	Location	Expected Operation Commencement Date	Function and Products Involved	Designed Annual Production Capacity	Total Investment	Capital Expenditures Incurred up to December 31, 2018
				(Units)	(RMB in millions)	(RMB in millions)
Yangzhou "Light Tower" plant	Yangzhou, Jiangsu, China	First half of 2019 (Phase I) First half of 2020 (Phase II)	Research, development and manufacturing complex for semi-trailers and truck bodies, including chassis trailers, liquid tank trailers, dry bulk tank trailers, mixers for mixer trucks, and parts and components	21,500[(1)]	927.6	264.3
Zhumadian "Light Tower" plant	Zhumadian, Henan, China	First half of 2019	Production line to specialize in 40-foot chassis and curtain-side trailers, as well as 13-meter stake trailers	6,000[(2)]	114.0	114.0

(1) Designed annual production capacity of the new Yangzhou plant.

(2) Designed annual production capacity of the production line.

In addition, we believe that digitalized production will further enhance the quality, efficiency and flexibility of our production, and are in the process of upgrading our "Light Tower" plants in China to build digitalized plants with market-leading digital technologies. A digitalized manufacturing plant employs a fully connected and flexible system which can use data from connected operations and production systems for resource control and optimization to adapt the relatively rigid automated manufacturing process to new production setting or workflow for new products. In particular, we plan to introduce a Product Lifecycle Management System and a Manufacturing Execution System into our "Light Tower" plants to implement systematic and intelligent information management and controls. The Product Lifecycle Management System is intended to facilitate the process of managing the entire lifecycle of a product from inception, through engineering design and manufacture, servicing manufactured products. The Manufacturing

Execution System integrates and manages information, such as modular manufacturing, industrial robots, human resources and materials. By linking design, orders, supplies and inventories and production, the implementation of these systems will further enhance the efficiency of our production and management.

We do not expect to use the net proceeds from the Global Offering to fund our expansion plans in China.

North America

We intend to increase our production capacity for refrigerated trailers and chassis trailers in the US. In particular, we plan to develop (i) a new automated production line for chassis trailers so that we will be capable of manufacturing chassis trailers locally in the US to mitigate the adverse effects from any increase in the US import tariffs on semi-trailers and components imported from China, and to maintain closer business relationships with existing North American customers, and (ii) a new automated production line for refrigerated trailers in the US to further enhance our refrigerated trailer production capacity and increase our market share in North America.

In addition, over the next five years, we plan to develop a new assembly plant in the US to support our manufacturing capacity in China for high-end refrigerated trailers. We aim to further enhance our brand name and increase our market share for refrigerated trailers in North America and around the world.

Although we did not have any production facility under construction in North America, as of the Latest Practicable Date, we expect to complete our foregoing expansion plans in the next two to five years. We expect to use approximately 42% of the net proceeds from the Global Offering, or HK$752.6 million, to fund the procurement of land, land preparation, construction of warehouses, plants and office buildings, acquisition of manufacturing equipment and systems, as well as branding and marketing activities for our expansion plans in North America. See “Future Plans and Use of Proceeds.”

Europe

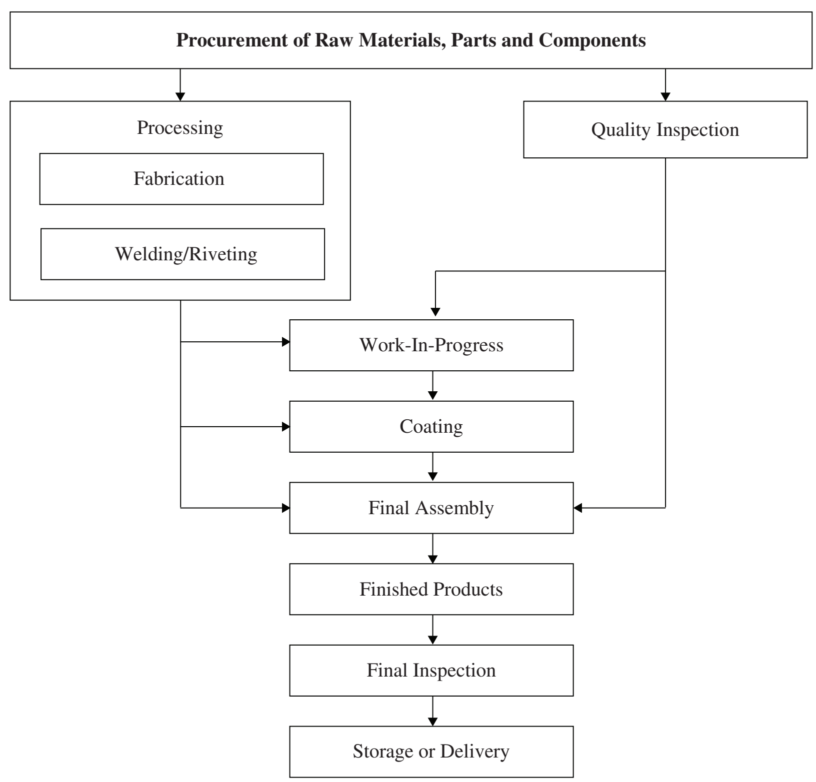
We intend to increase our assembly capability for curtain-side trailers, swap bodies and refrigerated trailers in Europe. In particular, we plan to (i) develop a new assembly plant for curtain-side trailers in the UK to support our main manufacturing plant in Belfast and increase our market share for curtain-side trailers in Europe, (ii) develop a new assembly plant for swap bodies in the Netherlands to further promote our swap body products and increase production and delivery capacity for swap bodies in Europe to capture local demand, and (iii) enter the European refrigerated trailer market and develop a new assembly plant in Europe to support our manufacturing capacity in China for high-end refrigerated trailers.

Although we did not have any production facility under construction in Europe, as of the Latest Practicable Date, we expect to complete our foregoing expansion plans in the next two to five years. We expect to use approximately 28% of the net proceeds from the Global Offering, or HK$501.7 million, to fund the procurement of land, land preparation, construction of warehouses, plants and office buildings and the acquisition of manufacturing equipment and systems for our expansion plans in Europe. See “Future Plans and Use of Proceeds.”

Manufacturing Process

Our manufacturing process involves several stages, which may vary among the different semi-trailer and truck body categories. We strive to adopt the efficient methods and procedures at each stage of our manufacturing process in order to continually reduce waste and manufacturing costs, shorten production cycles, modularize and optimize the use of our resources, and improve our efficiency.

The following diagram illustrates the principal steps in the overall manufacturing and assembly processes for our semi-trailers and truck bodies:



The major steps of our manufacturing process are described briefly below:

Steps	Description	Time Needed
Procurement	Our raw materials, parts and components include truck chassis, steel, aluminum, tires, rims, axles, suspension systems, braking systems and other accessories. We may also outsource the manufacturing of certain auxiliary parts and components, such as mudguards and tool boxes, to selected third parties to whom we normally specify our designs and technical specifications.	From one week to three months
Quality inspection	Certain parts and components, such as axles, suspension and braking systems, may be passed down to the quality inspection and control line for assembly purposes without going through additional processing and handling procedures.	From one day to one week
Processing	The processing of raw materials comprises fabrication and welding/riveting. The fabrication includes leveling, cutting, punching, drilling and bending. We adopt welding, riveting or other bonding processes to pre-assemble the parts and components into a work-in-progress product, typically the main body, such as the skeleton frame of a chassis trailer. We conduct the in-process inspection during various stages of the manufacturing process.	From five days to two weeks
Coating	Coating involves two steps (i) pretreatment, such as shot blasting and degreasing, and (ii) coating, which is to apply paint or other materials in water-based, KTL or powder forms, to metal surfaces.	From one to three days
Final assembly	Main bodies, tires, axles, suspension and braking systems, and auxiliary parts and components are assembled as the final products.	From one to five days
Final inspection	In addition to the in-process tests which we conduct, a final inspection is carried out by our quality control personnel. The final inspection typically involves spray and waterproofing tests as well as inspections on braking and electrical appliances.	From one to three days
Storage and delivery	Our finished products are stored at our storage yards for customers to collect or delivered to destinations designated by our customers.	Subject to the product types, distances to designated destinations, and customer requirements

Manufacturing lead time for our products varies. It usually takes about ten days to three months, including domestic and overseas delivery time, to produce and deliver one semi-trailer or truck body, subject to the product types and the destinations designated by our customers.

We adopt both external and internal measures to enhance our manufacturing efficiencies. We hire consulting firms to formulate lean manufacturing measures which we adopt to improve our manufacturing performance. Our research and development team also provide customized guidelines to our manufacturing and assembly plants which we believe enable our business divisions to allocate resources more efficiently and help address the practical business needs.

RESEARCH AND DEVELOPMENT

Research and development is critical to our long-term competitiveness and success. Our research and development efforts, driven by technological advancements and market demand, focus on production facility improvement and product research and development.

We strive to refine production processes and standards for our existing products. In particular, we developed and have been upgrading our "Light Tower" plants, which are equipped with advanced technologies and have access to a large pool of highly skilled engineering and technical personnel. See "– Production Facilities and Process – Production Facilities and Capacity."

We focus our product research and development efforts on continuing to upgrade the technical features and functionalities of our products, increase the standardization of key components across our product lines, and reduce the complexity of our products. Our research and development team works closely with customers to design and develop new products. Through our research and development efforts, we have been able to develop and launch new product lines, both independently and through cooperation with third parties. For example, in 2017, we launched the first generation of curtain-side trailers and center-axle car carriers in China.

As a leading global manufacturer of semi-trailers, as of the Latest Practicable Date, we owned over 800 registered patents across multiple countries. We also played a leading role in setting 14 national and industry standards in China for semi-trailers and truck bodies. We believe that our active participation in industry standards setting and our strong research and development efforts could further improve our global influence, enhance our pricing power and brand recognition, allow us to address prevailing market trends and develop products with industry-leading capabilities to secure a competitive advantage over our competitors.

As of December 31, 2018, we had over 600 research and development personnel globally, many of whom have industrial work experience. We also maintain long-term cooperative relationships with domestic and foreign research partners, including research institutions, universities and commercial enterprises, in technology sharing and cooperation, forming alliances for research, development, application and production. In collaboration with Shanghai Jiao Tong University, Shenzhen University and Jiangsu University, we launched our "2025 Technical Talent Project" and "postdoctoral research center" to attract and retain talent for research and development projects. We also maintain sound relationships with University of Michigan – Shanghai Jiao Tong University Joint Institute and Shanghai Jiao Tong University – Massachusetts Institute of Technology China Leader of Global Operation program.

In 2016, 2017 and 2018, research and development expenses were approximately RMB96.8 million, RMB138.6 million and RMB277.9 million, respectively. The increase in 2018 was mainly attributable to the increasing research and development efforts our key production facilities made on improving and developing our semi-trailer and truck body products.

QUALITY CONTROL

Quality control is a primary part of our procurement and production process. We maintain strict quality control over the research and development, engineering and manufacturing of our products, as well as parts and components, with an aim to demonstrate our ability to provide products that meet customer, regulatory and statutory requirements. We introduced various quality control measures at our manufacturing and assembly plants and various stages of our production operations so as to minimize product defects. Our quality control personnel are familiar with the relevant national and industry standards, ISO standards, and the legal and regulatory requirements applicable to our products. They are also required to attend professional training before performing certain quality assurance tasks. We devote to improving quality control management and the training programs provided to our employees to ensure the quality of our products.

Our quality control system has been ISO 9001 certified. We have also obtained certifications, such as IATF 16949, GB/T19001 and TS 16949 for our manufacturing process. We are constantly improving our quality control system in order to meet customer expectations.

Quality Control Procedures

We place strong emphasis on maintaining the quality and reliability of our products. We conduct performance and reliability tests as part of our research and development process. We also monitor our manufacturing process closely and provide comprehensive after-sales services to ensure that our products meet customer requirements. We adopt product tracking measures to monitor the performance of our products, which not only helps ensure the quality of our products, but also helps us gather valuable data to improve our manufacturing process.

We have formulated specific standards to evaluate product quality. We conduct regular management evaluations to ensure the effectiveness of our quality control system. Our quality control teams in our manufacturing and assembly plants liaise with the production departments and suppliers to identify and rectify product quality issues on a timely basis.

Recall

In China, we are subject to the Regulation on the Administration of Recall of Defective Auto Products (缺陷汽車產品召回管理條例) promulgated by the State Council on October 22, 2012.

In November 2014, we recalled 129 units of semi-trailers manufactured by our Qingdao plant due to a potential safety concern. To our knowledge, no accident has occurred in relation to the potential safety concern involved in this recall. We rectified the potentially defective parts and components of all the 129 units recalled. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any product recall that materially adversely impacted our reputation, results of operations or financial condition.

CUSTOMERS, SALES AND MARKETING

We sell our semi-trailers globally, and sell our truck bodies and center-axle car carriers primarily in China. We sell our products through direct sales and distribution channels. Our customers, distributors and non-distributor customers, purchase products for their own use or resale.

Our non-distributor customers for semi-trailers mainly comprise logistics companies, trailer rental companies and truck dealers. Our non-distributor customers for truck bodies mainly comprise truck manufacturers, truck dealers, construction companies and logistics companies. In 2016, 2017 and 2018, our revenue from direct sales accounted for 78.6%, 77.4% and 75.2%, respectively, of our total revenue.

Our distributor customers mainly comprise distributors for truck manufacturers, being truck dealers that are generally specialized in selling tractor units, truck chassis and specialty vehicles. We also engage exclusive distributors for our semi-trailers and truck bodies. As of December 31, 2016, 2017 and 2018, we had 174, 179 and 199 exclusive distributors, respectively. We engage a distributor by entering into a distribution agreement with it for the distribution of our products. Considering the highly specialized function and usage of semi-trailers, the considerable storage space required for parking, and the comparatively low sale price per unit of semi-trailers compared with that of tractor units, distributors of our semi-trailers normally would only purchase our products upon receipt of orders from their customers. Sales to distributors are recognized as revenue, and the title to our products and any legal risk are passed to our distributors when our products are delivered at our warehouses or other designated locations. In 2016, 2017 and 2018, revenue from our distributor customers accounted for 21.4%, 22.6% and 24.8%, respectively, of our total revenue. During the Track Record Period, to the best knowledge of our Directors and after reasonable enquiries, all of our major distributors, whose revenue contribution accounted for a significant portion of our total revenue from all our distributors, were Independent Third Parties.

In 2016, 2017 and 2018, sales to our largest customer accounted for approximately 2.2%, 4.0% and 5.2%, respectively, of our total revenue, and our five largest customers accounted for approximately 10.1%, 11.0%, and 11.7%, respectively, of our total revenue. To the knowledge of our Directors, none of our Directors, their respective associates or, any Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest customers in 2016, 2017 and 2018. During the Track Record Period, primarily in our truck body business, some of our major customers, such as truck manufacturers, who purchased truck bodies from us, were also our suppliers who sold truck chassis to us. We install the truck bodies onto the purchased truck chassis to form fully-assembled specialty vehicles which we then sell to our customers. In 2016, 2017 and 2018, revenue from our overlapping customers and suppliers, which were among our top 20 customers or suppliers with over RMB100 million in sales or procurement amount during the Track Record Period, was RMB1,208.3 million, RMB1,878.2 million and RMB2,909.2 million, respectively. The increase was mainly attributable to our overall business growth during the Track Record Period. We did not record a standalone management account of gross profit or gross margin for each customer or supplier during the Track Record Period. However, the terms for our transactions with such overlapping customers and suppliers during the Track Record Period, including product prices, applicable discounts and rebates, if any, did not deviate from the relevant terms for our transactions with other customers or suppliers.

Sales Network

Our extensive sales network mainly comprises (i) our in-house sales employees, and (ii) third-party distributors. We have over 300 distributors widely dispersed throughout 31 provinces in China, North America, Europe and other regions.

We strive to provide high-quality products and services to our customers through our extensive sales network. We also offer a comprehensive range of pre-sales customer relationship initiatives, sales support and after-sales services. Consistent with our core philosophy, "global operation, local knowledge," we endeavor to efficiently penetrate local markets and capture sales opportunities by actively managing our sales network.

The following is a breakdown of our revenue by sales channel for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)					
China	**7,486.5**	**51.4%**	**10,907.3**	**56.3%**	**13,906.4**	**57.5%**
– Direct Sales	5,203.2	35.7	7,602.3	39.3	9,434.5	39.0
– Distributors	2,283.3	15.7	3,305.0	17.1	4,471.9	18.5
North America	**4,483.6**	**30.8**	**4,693.4**	**24.2**	**6,635.4**	**27.5**
– Direct Sales	3,832.1	26.3	3,741.0	19.3	5,244.0	21.7
– Distributors	651.5	4.5	952.4	4.9	1,391.4	5.8
Europe	**1,409.7**	**9.7**	**2,225.7**	**11.5**	**2,435.1**	**10.1**
– Direct Sales	1,261.2	8.7	2,118.0	10.9	2,339.8	9.7
– Distributors	148.5	1.0	107.7	0.6	95.3	0.4
Other Regions	**1,175.8**	**8.1**	**1,540.5**	**8.0**	**1,191.2**	**4.9**
– Direct Sales	1,141.2	7.8	1,534.1	7.9	1,164.9	4.8
– Distributors	34.6	0.2	6.4	0.0	27.3	0.1
Total	**14,555.6**	**100.0%**	**19,367.0**	**100.0%**	**24,168.2**	**100.0%**

China

In 2016, 2017 and 2018, approximately 51.4%, 56.3% and 57.5%, respectively, of our total revenue was generated from China. Our sales network in China consisted of (i) two centralized sales centers located in Guangzhou and Xi'an, (ii) local sales teams and (iii) a network of 349 distributors as of December 31, 2018. Our two centralized sales centers mainly cover products manufactured under our "CIMC," "CIMC Huajun" and "CIMC Tonghua" brands, while our other brands maintain customer relationships through their own sales teams. We manage our distributors through these two centralized sales centers and our local sales teams.

Direct Sales and Non-distributor Customers

In China, in 2016, 2017 and 2018, we sold approximately 69.5%, 69.7% and 67.8%, respectively, of our products through direct sales.

As part of our comprehensive sales network, our sales employees are dedicated to building and maintaining long-term relationships through various forms of interactions with our key clients, such as providing pre-sales consultation and comprehensive after-sales services. Our sales employees would also make product recommendations based upon customer needs, arrange customer visits to our facilities and to provide product demonstrations at our clients' offices.

We generally enter into sales agreements directly with non-distributor customers. The sales agreements are typically in a simplified form and normally include terms relating to product type and specifications, unit price, quantity, as well as delivery and payment schedules. Our customers make payments to us in cash or bank acceptance notes or, to a much lesser extent, funding from bank borrowing or other financial institutions guaranteed by us. See "– Delivery and Payment" and "– Tripartite Financing Arrangements" for additional information.

Distribution Network and Distributors

As an industry norm, we distribute a number of our products through our distributors in China. In China, in 2016, 2017 and 2018, we sold approximately 30.5%, 30.3% and 32.2%, respectively, of our products through distributors. We believe that, by engaging large-scale distributors for truck manufacturers as our distributors, we can grow our sales quickly through such distributors' established distribution network. We mainly rely on our two centralized sales centers and local sales teams to select and manage our distributors.

As of December 31, 2016, 2017 and 2018, we had 418, 392 and 349 distributors, respectively, located in China. Our distribution network is highly fragmented and most of our distributors distribute locally. As a result, each of our brands typically establishes relationships with a large number of distributors to achieve wide sales coverage.

We generally maintain a seller-buyer relationship with our distributors in China which, in turn, on-sell our products generally to end users. We retain no ownership control over our products sold to our distributors and generally do not accept product returns other than for material product defects. We select our distributors based on their reputation, market coverage, sales experience and ability to foster relationships with local customers, financial strength and existing or potential size of their distribution or sales force.

– Agreements with Our Distributors in China

In addition to our sales policies, we enter into distribution agreements with distributors for distribution of our products. While specific terms vary from distributor to distributor, a summary of the salient terms of our typical distribution agreements entered into with our distributors in China follows:

- *Duration*: We generally enter into one-year distribution agreements with our distributors in China.

- *Designated distribution area*: Distributors are generally authorized to sell our products within a designated geographical area. We do not allow our distributors to sell our products outside such designated areas. Failure to comply with this requirement may subject our distributors to penalties, such as fines, or even termination of the distributorship.

- *Minimum purchase amount and sales targets*: Our typical distribution agreement generally sets annual minimum purchase amounts for our distributors for designated product types sold within designated areas, which range from 30 units to 200 units and are reviewed annually. Such minimum purchase amount varies among different distributors. In addition, we may set a higher sales target with additional incentive measures to promote sales.

- *Pricing*: Our typical distribution agreements provide for a minimum unit price for distribution of each of our product types. Such minimum unit price is normally determined based on our cost of sales, profit margin and prevailing market conditions, and is reviewed annually. Distributors are not allowed to sell our products below the minimum unit price unless approved by us. We regularly inspect and evaluate our distributors' operations and retain the right to impose penalties on those distributors who violate our pricing policy.

- *Payment and credit terms*: Payment and credit terms vary among distributors. Distributors are typically required to make payments to us in cash or bank acceptance notes. Depending on our relationship with, and our assessment of the creditworthiness of the relevant distributor, we may agree to different payment terms for different product types, such as a different amount of down payment required when they place orders with us. We typically grant our exclusive distributors a credit term of up to one month and require our non-exclusive distributors to settle the payment before collecting products.

- *Inventory*: Although we do not mandate the level of inventory that is required of our distributors, we encourage them to maintain a reasonable amount of our products to meet customer demand. Distributors typically order our products once they receive order notices from their customers.

- *Exclusivity*: Our distributors are normally allowed to purchase and distribute similar products of other manufacturers but we encourage our distributors to sign exclusive distribution agreements with us in return for better sales and credit terms.

- *Termination and renewal*: We typically have the right to terminate the distribution agreement where there is any material breach of terms pursuant to the distribution agreement by a distributor. In general, our distribution agreements are automatically renewed for an additional specified term if neither party gives notice of termination prior to the expiry of the initial term.

– Management and Evaluation

Our distributors are typically required to provide us with copies of their valid business license and other permits for our records. Upon signing the distribution agreements with us, our distributors will pay us a one-time deposit which generally ranges from RMB50,000 to RMB580,000, which deposit fee will be returned to our distributors upon termination of the distribution agreement. We regularly review the performance of our distributors and collect information on industry developments and feedback on our products. We conduct regular evaluations of our distributors' performance. We require our distributors to provide regular reports to us for evaluation; such reports will also enable us to monitor their sales activities and collect end user feedback. Our in-house sales teams will conduct regular spot-checks on our distributors to gather their operation and sales information. In line with industry practice, our distributors normally do not carry a large inventory of our products, but we encourage them to maintain a reasonable amount of our products to meet customer demand. We grant our distributors rebates only if they meet the target sales amount of designated products within its designated areas. Based on our review, we may elect to continue our cooperation with over-performing distributors by adjusting the designated sales area or product types.

Prior to the launch of new products, we normally provide training to distributors for them to obtain first-hand knowledge of our new products and ensure the quality of the services provided to end users. We allow certain distributors to use our logo, trademark and brand name within designated areas for the promotion of our products.

– Rebate

Following industry practice in China, we typically grant annual rebates to distributors with reference to sales volume, together with additional rebates based on distributors' performance relative to their respective sales targets set by us and also taking into account customer satisfaction levels on a case-by-case basis. In particular, the amount of rebate we give to our distributors managed through our two centralized sales centers is typically about 0.7% to 1.6% of the total sales achieved by the relevant distributor or about RMB300 per unit to RMB1,500 per unit, subject to the product type and other commercial terms. Our rebates are usually settled by deducting the aggregate purchase price payable by eligible distributors from subsequent purchase orders placed after such distributors fulfill requisite sales targets.

The following table sets forth the movement of the number of our distributors in China during the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
As of the beginning of the year	**278**	**418**	**392**
Addition of distributors	192	89	65
Termination of distributors	52	115	108
As of the end of the year	**418**	**392**	**349**

In 2017, our distributors decreased (i) due to our combination of three centralized sales centers into two which resulted in an optimized distribution network and increased direct sales to efficiently manage our distributors and (ii) as we increased our standards for retaining and renewing existing distributors and terminated an increasing number of under-performing distributors. This was partially offset by the addition of new distributors in 2017 due to our entry into new cities and areas where we did not previously have sales coverage. In 2018, the number of our distributors decreased as we heightened our standards for retaining and renewing distributors and terminated a number of under-performing distributors.

North America

In the North American market, we sell our refrigerated trailers mostly through direct sales, and market chassis trailers and dry van trailers through both direct sales and distributors. In 2016, 2017 and 2018, approximately 30.8%, 24.2% and 27.5%, respectively, of our total revenue was generated from North America. In 2016, 2017 and 2018, we sold approximately 85.5%, 79.7% and 79.0%, respectively, of our products in North America through direct sales. As of December 31, 2018, our North American sales network consisted of our in-house sales team and 20 distributors.

Direct Sales and Non-distributor Customers

Our non-distributor customers of chassis trailers in North America mainly include large railway companies, car leasing companies, such as Direct ChassisLink, Inc., Milestone Equipment Holdings, LLC and American Intermodal Management, LLC, as well as US national trailer transportation companies, such as J.B. Hunt Transport, Inc. and Schneider Enterprise Resources, LLC. Our dry van trailers and refrigerated trailers are mainly tailored according to customer specifications. Our chassis trailers are mainly sold and distributed to key clients through direct sales.

We generally enter into a standard sales agreement with non-distributor customers and a specific sales order agreement for each sales order. The sales order agreements are typically in a standard form and normally include terms relating to product type and specifications, unit price and quantity, as well as a delivery and payment schedule.

Distribution Network and Distributors

In 2016, 2017 and 2018, we sold approximately 14.5%, 20.3% and 21.0%, respectively, of our products through distributors in North America.

As of December 31, 2016, 2017 and 2018, we had 16, 19 and 20 distributors, respectively, for the North American market. We typically engage distributors to achieve wide sales coverage.

We generally maintain a seller-buyer relationship with our North American distributors who, in turn, on-sell our products to end users and, to a lesser extent, to sub-distributors for further distribution. We retain no ownership control over the semi-trailers sold to our distributors and generally do not accept product returns other than for material product defects. We select our distributors based on various factors, such as their reputation, market coverage, sales experience and ability to foster relationships with local customers, financial strength and existing or potential size of their distribution or sales force.

– Agreement with Distributors in North America

We generally enter into a standard distribution agreement with distributors for the distribution of our semi-trailers in designated areas in North America. We will enter into separate agreement for each sales order. While specific terms vary from distributor to distributor, a summary of the salient terms of our typical distribution agreement entered into with our distributors in North America is set forth below:

- *Duration*: Our typical distribution agreements normally have an initial term of one year.

- *Designated distribution area*: Distributors are normally authorized to sell our products only within a designated geographical area.

- *Sales target*: We may negotiate with a distributor and set monthly or annual sales targets of our products.

- *Pricing*: We provide our distributors with pricing guidelines for our products and normally allow minor deviations from our suggested prices.

- *Payment and credit terms*: For our chassis trailers, we generally require our distributors to make payment to us by cash within 90 days after we accept their orders. For dry van trailers, we generally require our distributors to make payment to us in cash within 15 days after product completion at our US manufacturing plants.

- *Inventory*: Distributors are typically required to carry an adequate level of inventory of our trailers, in line with industry practice.

- *Termination and renewal*: Unless otherwise terminated, such agreement is automatically renewed for an additional one-year term. Generally, we may terminate the agreement under certain circumstances, including where a distributor fails to pay any amounts due under the agreement or if they breach any material terms of the distribution agreement.

– Management and Evaluation

We review the sales performance of our distributors on a regular basis. Our distributors are required to submit to us their financial and operating reports, which enables us to monitor their sales activities. Our sales personnel will also conduct regular spot-checks to analyze sales information of the relevant distributors. Based on our review, we may elect to continue our cooperation with over-performing distributors or elect not to renew distributor agreements with them.

The following table sets forth the movement of the number of our distributors in North America during the years indicated:

	Year ended December 31,		
	2016	2017	2018
As of the beginning of the year	**15**	**16**	**19**
Additions of distributors	3	6	1
Termination of distributors	2	3	0
As of the end of the year	**16**	**19**	**20**

In 2016, 2017 and 2018, our distributor relationships in North America remained relatively stable. We believe that we should focus on maintaining distribution relationships with those distributors that have proven track records and are considered as leading distributors within their respective regions in North America.

Europe

In the European market, we mainly distribute our products through direct sales to our non-distributor customers and, to a lesser extent, through distributors. In 2016, 2017 and 2018, approximately 9.7%, 11.5% and 10.1%, respectively, of our total revenue was generated from Europe. In the same years, we sold approximately 89.5%, 95.2% and 96.1%, respectively, of our products in Europe through direct sales. As of December 31, 2018, our European sales network consisted of an in-house sales team and four distributors covering the UK, Poland and other European countries.

Our distribution agreements entered into with our European distributors generally have an initial term of one year which, unless otherwise terminated, is automatically renewed for an additional two-year term upon expiry. Our European distributors are generally authorized to sell certain specified products, and are granted exclusivity, within a designated region. Our European distributors are subject to certain obligations, including (i) restrictions on selling similar products, which compete with our products, from certain third parties, (ii) granting us access to its premises for the purpose of inspecting compliance by distributors with their obligations under the distribution agreements, and (iii) providing us with a forecast of projected orders for our products for a specified future period and its budget for the coming year. For our European distributors, we do not typically impose any mandatory resale prices in relation to our products. We set annual minimum purchase amounts for specified products with our European distributors, which typically range from 10 units to 200 units. We do not generally set any mandatory sales or expansion targets with our European distributors, but our distributors generally undertake to use reasonable efforts to maintain and increase sales of our products in the relevant designated regions. For our European distributors, we typically require full payment from distributors within 45 days after the product delivery date.

Our curtain-side trailers, chassis and flatbed trailers and tank trailers are mainly sold and distributed to key clients through direct sales. Our non-distributor customers of curtain-side trailers and tank trailers in the European market are mainly logistics companies. Our non-distributor customers of chassis and flatbed trailers in the European market mainly comprise automobile manufacturers, trailer leasing companies such as TIP Trailer Services, as well as well-known transportation and logistics companies such as H. Essers Transport Company NV and VOS Logistics.

Other Regions

In other regions, during the Track Record Period, we sold substantially all of our products through direct sales. In 2016, 2017 and 2018, our sales to other regions represented approximately 8.1%, 8.0% and 4.9%, respectively, of our total revenue. In 2016, 2017 and 2018, we sold 97.1%, 99.6% and 97.8%, respectively, of our products in other regions through direct sales. As of December 31, 2018, we had one distributor in Tanzania.

Pricing Strategy

For our direct sales, we formulate and adjust the prices of our products with reference to factors such as production cost, product specifications, market positioning, supply and demand, prevailing market conditions, and our competitors' prices. We are able to formulate, review and adjust our pricing strategies in a flexible and market-oriented manner.

For our sales through distributors, we adopt different pricing policies. We generally offer rebates to our distributors which will be settled by deducting the rebates amount from subsequent purchase orders placed by eligible distributors after they fulfill requisite sales targets.

Delivery and Payment

A large amount of our products are delivered to a destination instructed by our customers. Our customers, or their logistics service providers, may also take delivery of products from our manufacturing and assembly plants directly.

For most of our customers, we require payment of a deposit and the remaining purchase price upon delivery. We generally require our customers to pay us in full before delivery of products. In some cases, we may offer our customers a credit term up to 90 days after product delivery based on their financial strength and long-term relationship with us.

Tripartite Financing Arrangements

To facilitate the sales of our products in China, we also offer tripartite financing arrangements with certain PRC commercial banks or other non-bank financial institutions (including CIMC Financial Institution) to qualified customers. Under such financing arrangements, we provide guarantees to the lenders based on our assessment of the customers' creditworthiness. In case of default by our customers, we are obligated to repay the borrowing as a guarantor.

For individual or small business customers of vehicles of relatively high monetary value, such as mixer trucks and tank trailers, it is common industry practice for such customers to obtain financing through tripartite financing arrangements, as it is generally difficult and time-consuming for them to obtain financing directly from banks and other financial institutions without any form of credit enhancement. The availability of tripartite financing arrangements provides a more accessible financing solution to these customers.

We select qualified customers for tripartite financing arrangements based on a review and inspection of their financing needs, track records with banks and other licenses, permits or records. During the term of a tripartite financing agreement, we regularly review the payment records of our customers with the bank and conduct onsite inspections to assess and control our credit risk. We also create credit profiles of our customers who participate in the tripartite financing agreements. These procedures allow us to identify any early warning signs and take precautionary measures.

As of December 31, 2016, 2017 and 2018, we provided guarantee for loans under the tripartite financing agreements of RMB1,040.7 million, RMB1,006.3 million and RMB1,253.5 million, respectively. In 2016, 2017 and 2018, due to customer default, we paid RMB36.5 million, RMB15.7 million and RMB17.4 million, respectively, to the lenders under the financial guarantee arrangement, which accounted for 3.5%, 1.6% and 1.4%, respectively, of our maximum amounts guaranteed as of the end of the respective preceding years. In the same years, we collected RMB45.7 million, RMB47.9 million and RMB38.5 million, respectively, from our customers in default, which accounted for 4.4%, 4.8% and 3.1%, respectively, of our maximum amounts guaranteed as of the end of the respective preceding years.

Warranty and After-sales Services

We typically sell our products with warranties. Warranty for semi-trailers and truck bodies normally covers one year after delivery, but may vary depending on the type and the quantity of products sold. Our customers may seek free repair and maintenance services, including replacement of parts and components due to quality defects, during the warranty period. In addition, our product warranty typically does not cover normal wear and tear during use. Repair and replacement of certain parts and components of our products, in particular, truck chassis, axles and suspension systems we purchase from third-party suppliers, however, are principally covered by our suppliers. We also cooperate with our suppliers and have built over 300 maintenance centers throughout China that enable our customers to have their vehicles serviced more conveniently. In 2016, 2017 and 2018, we recorded product warranty expenses on repair and maintenance of RMB76.7 million, RMB99.3 million and RMB91.1 million, respectively.

We comply strictly with the repair, replacement and return policies as required by relevant laws and regulations. In accordance with the relevant return procedures, our customers can return defective components of our products to us during the warranty period. Other than quality issues, we do not accept any return of products. Following the expiration of the warranty period, we may provide repair and maintenance services and supply parts and components for a fee.

We provide a comprehensive suite of after-sales services to our customers, which includes many value-added services aimed at lowering costs for our customers and increasing their productivity, safety and operating efficiency.

Marketing

We strive to enhance the promotion and marketing of our brands and products to customers. We believe that our comprehensive sales network provides us with established access to customers throughout China, North America, Europe and other regions where we operate, enabling us to be responsive to local market demand and allowing us to effectively diversify our customer base while enhancing our ability to provide superior customer services. As of December 31, 2018, we had around 1,300 dedicated sales and marketing personnel. We intend to continue to strengthen our marketing and promotion efforts.

Our marketing and brand-building activities include advertisements on industry magazines, participating in and organizing product launch events, seminars, trade shows and exhibitions to showcase and seek end-user feedback on our products. We also have an established marketing platform on social networks, to promote customers' awareness of our brands and closely communicate with existing and potential customers.

We have placed great emphasis on improving our customer satisfaction and loyalty as the key to our customer relationship management. We maintain good relationships with our customers by utilizing customer database and analyzing market trends and customer demand to carry out targeted marketing activities. We also offer hotline services to our customers. In addition, we also rely on referrals from our existing customers for new business opportunities.

SUPPLIERS

Our suppliers principally comprise steel and aluminum producers and manufacturers of parts and components, such as truck chassis, tires, rims, axles, suspension and braking systems. We currently source most of our raw materials, parts and components from multiple suppliers located in China. We have also established long-term relationships with renowned trailer parts and components manufacturers around the world. We have sound business relationships with our key suppliers, such as BPW and China Baowu Steel Group, for over five years. We believe such long-term relationships with our suppliers will benefit us in ensuring a stable supply of raw materials, parts and components at reasonable prices. However, we generally purchase our raw materials, parts and components on an order-by-order basis and do not enter into any long-term contract with them.

We maintain an approved list of suppliers for our key raw materials, parts and components. Potential suppliers must fulfill our assessment criteria before they are admitted to our approved list, and the criteria include, among others, quality, price, nature and specification of the item, capacity, after-sales services and reputation. In addition, we constantly monitor and evaluate current and potential suppliers on their ability to meet our requirements and standards. In general, we review our suppliers' production quality and lead time on a quarterly basis. Each year, we evaluate the performance of the suppliers on our approved list. Outperforming suppliers will have an increased chance of closer cooperation with us, including participation in the development of our new products. We may require immediate rectification from, or even terminate our relationship with, underperforming suppliers.

In 2016, 2017 and 2018, our purchases from our five largest suppliers, in aggregate, accounted for 21.0%, 19.9% and 20.6%, respectively, of our total costs for raw materials and consumables used, adjusted for changes in inventory. In addition, purchases from our single largest supplier accounted for 6.5%, 6.2% and 6.8%, respectively, of our total costs for raw materials and consumables used, adjusted for changes in inventory in the same years. None of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital has any interest in any of our five largest suppliers.

Procurement of Raw Materials, Parts and Components

Our principal raw material is steel. Our key parts and components comprise truck chassis, tires, rims and axles. As a percentage of our total revenue in 2016, 2017 and 2018, our costs of raw materials and consumables used, adjusted for changes in inventory was 73.6%, 75.8% and 77.1%, respectively.

We do not manufacture tractor units or truck chassis. But in line with the industry practice in China, typically in the case of our mixers, we purchase the truck chassis requested by our customers and install the mixers onto such truck chassis to form fully-assembled mixer trucks, which we then sell to these customers. In addition, on limited occasions, we may procure tractor units as requested by our customers which we deliver together with our semi-trailers. As a result, we record the cost of tractor units and truck chassis as our cost of raw materials. In 2016, 2017 and 2018, we mainly purchased truck chassis and tractor units for the PRC market and such costs incurred in China amounted to approximately RMB1,307.4 million, RMB1,905.2 million and RMB3,063.6 million, respectively.

The cost of raw materials, especially the cost of steel, affects our production costs directly, and consequently determines the prices of our products. To control our cost of raw materials, we have adopted various measures to mitigate the fluctuations of raw material prices, including centralized procurement to increase our bargaining power with suppliers, more efficient inventory management to adjust the frequency and quantity of procurement based on market conditions and the establishment of long-term strategic cooperative relationships with key suppliers. In addition, to mitigate any impact on our financial results, we adjust our product prices with reference to various factors, such as the prevailing market conditions, market prospects, inventory conditions and competition. We have also devoted significant efforts to continuously improving our production efficiency, which will enable us to increase our production volumes to meet market demand without significantly increasing our raw material cost given the effect of economies of scale. Despite our measures to lower the cost of raw materials, if there is a significant increase in our costs of raw materials, our results of operations and financial condition may be adversely affected if we cannot successfully pass on such increased costs to our customers.

For our procurement of steel, we generally leverage the bargaining power of CIMC, which centrally negotiates the key terms of a framework agreement with a number of suppliers in China each year on behalf of all the members of the CIMC Group and us. Our manufacturing plants then place orders and pay for the steel they purchase pursuant to CIMC's pre-agreed terms with these suppliers. Steel price is determined on an order-by-order basis by the prevailing market price, subject to fluctuations and delivery dates. During the Track Record Period, the Company had also procured steel from suppliers without leveraging the bargaining power of CIMC with similar terms. For our procurement of key parts and components, such as truck chassis, tires, rims and axles, we generally enter into annual framework agreements with our approved suppliers through centralized procurement arrangements, which set out the key terms of our procurement contracts for an entire year. Our manufacturing plants then enter into procurement contracts and place orders with the suppliers and pay for the supplies based on the pre-agreed terms in our framework agreements. Price is normally determined by the prevailing market price of parts and components. For other raw materials, parts and components, they are sourced primarily by our local manufacturing plants. In our overseas manufacturing plants, we generally procure key raw materials, parts and components, such as steel, tires and axles, locally in the US and Europe.

During the Track Record Period, the prices of steel, tires and axles have been gradually increasing. We have built and maintained an inventory of raw materials up to a reasonable level for operations to mitigate the effects of any short-term fluctuation, together with a view to lowering our raw materials cost. See the "Risk Factors – Risks Relating to Our Business – We rely on certain key raw materials, parts and components and utilities, such as steel, tires, rims and axles in our manufacturing process, and any failure or shortage in the supply of such key raw materials, parts and components and utilities may adversely affect our business" section for more details of such risk affecting our operation and financial performance.

As we believe that the raw materials, parts and components we use to manufacture are common, we do not anticipate significant difficulties in obtaining alternative sources of supply, if necessary. We typically have multiple suppliers for each of our raw materials, parts and components. This also reduces any potential disruption of our operations and reliance on any particular supplier, enabling us to maintain sourcing stability and secure competitive prices from suppliers. Additionally, we undertake inventory control in order to reduce the risks of understocking and overstocking and maintain our inventory of raw materials, parts and components at an appropriate level. During the Track Record Period, we did not experience any material interruptions in the supply of raw materials or parts and components from our suppliers.

The table below sets forth the sensitivity analysis of the impact to our results of operations during the Track Record Period from the fluctuation of the costs of raw materials and consumables used. The sensitivity analysis has been prepared based on several assumptions, including but not limited to (i) a marginal tax rate of 25%, being the statutory enterprise income tax rate in the PRC, which is applicable to a majority of our subsidiaries, and (ii) the range of fluctuations, based on historical fluctuations in the price of key raw materials, parts and components of our operations.

Hypothetical changes in costs of raw materials and consumables used in 2018	-10%		-5%		-1%		1%		5%		10%	
	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue
	(RMB in million, except percentage)											
Costs of raw materials and consumables used	16,761	69.4%	17,692	73.2%	18,437	76.3%	18,809	76.3%	19,554	73.2%	20,486	69.4%
Change in costs of raw materials and consumables used in 2018	(1,862)	(7.7%)	(931)	(3.9%)	(186)	(0.8%)	186	0.8%	931	3.9%	1,862	7.7%
Change in profit for the year	1,397	5.8%	698	2.9%	140	0.6%	(140)	(0.6%)	(698)	(2.9%)	(1,397)	(5.8%)

Hypothetical changes in costs of raw materials and consumables used in 2017	-10%		-5%		-1%		1%		5%		10%	
	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue
	(RMB in million, except percentage)											
Costs of raw materials and consumables used	13,220	68.3%	13,954	72.1%	14,542	75.1%	14,835	76.6%	15,423	79.6%	16,157	83.4%
Change in costs of raw materials and consumables used in 2017	(1,469)	(7.6%)	(734)	(3.8%)	(147)	(0.8%)	147	0.8%	734	3.8%	1,469	7.6%
Change in profit for the year	1,102	5.7%	551	2.8%	110	0.6%	(110)	(0.6%)	(551)	(2.8%)	(1,102)	(5.7%)

Hypothetical changes in costs of raw materials and consumables used in 2016	-10%		-5%		-1%		1%		5%		10%	
	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue	amount	% of total revenue
	(RMB in million, except percentage)											
Costs of raw materials and consumables used	9,646	66.3%	10,182	70.0%	10,610	72.9%	10,825	74.4%	11,254	77.3%	11,789	81.0%
Change in costs of raw materials and consumables used in 2016	(1,072)	(7.4%)	(536)	(3.7%)	(107)	(0.7%)	107	0.7%	536	3.7%	1,072	7.4%
Change in profit for the year	804	5.5%	402	2.8%	80	0.6%	(80)	(0.6%)	(402)	(2.8%)	(804)	(5.5%)

We have undertaken various initiatives to control our costs for raw materials without compromising on the quality of our products. We believe that, as a result of our progressive economies of scale and centralized procurement arrangements, our increasing bargaining power allows us to control the costs of raw materials, parts and components through negotiation with our suppliers. In addition, we have increased our efforts to standardize and modularize the parts and components we use to improve our production efficiency and lower our procurement costs.

Supply Agreements

For key parts and components, we typically enter into a framework agreement with a one-year term with selected suppliers. The framework agreement normally includes a benchmark price, payment and delivery terms and quality requirements. The framework agreement requires that our suppliers must possess the necessary quality control certification. Our suppliers are responsible for ensuring that the products provided are in line with the standards set out in the agreements.

Our suppliers are not allowed to change any specification stipulated in the framework agreement, such as raw materials, processing technologies and quality inspection, without our prior approval. In addition, our suppliers are not allowed to outsource their work to third parties without our prior approval. The pricing terms of raw materials, parts and components are generally negotiated with our suppliers on an annual basis. The prices are usually inclusive of all expenses, such as packing and logistic costs.

Our suppliers will provide a warranty for their products sold to us. All raw materials, parts and components are subject to guarantee of free repair, replacement and return within the warranty period.

We may terminate the framework agreement under certain circumstances, including force majeure, breach of material terms of the framework agreement by the supplier and prolonged difficulty in delivering the goods to us.

In China, we usually settle payment with our steel suppliers in the month following our procurement. We usually pay our suppliers for other raw materials, parts and components by cash or bank acceptance notes within 90 days from receipt of supplies and the invoice. In North America and Europe, we mainly settle payment with our suppliers within 30 days after receipt of an invoice.

Global Supply Chain

We believe that by leveraging the global supply chain, we are able to monitor fluctuations in the prices of raw materials, parts and components in the global market, and adjust our procurement strategies accordingly.

Almost all of our procurement for our PRC production is carried out in China. Certain of our overseas operations, such as the manufacturing of dry van trailers in North America and curtain-side trailers and tank trailers in Europe, mainly procure their raw materials, parts and components locally and utilize local manufacturing plants, while we also leverage our cost-efficient production capacity in China and dispatch and assemble our products at overseas assembly plants.

Without compromising on the quality of our products, we endeavor to be more cost-effective by encouraging global supply of parts and components, raw materials and other supplies. Benefiting from our economies of scale, strong bargaining power and extensive global supplier choices, we enjoy enhanced production efficiency afforded by global supply chain management, such as access to a large quantity of steel in China with competitive price and certain technologically advanced or customized parts from the overseas markets that meet local specifications.

INVENTORY MANAGEMENT

As of December 31, 2016, 2017 and 2018, we had inventories of approximately RMB3,293.3 million, RMB3,560.3 million and RMB3,582.3 million, respectively. Provision for impairment is recognized by the amount by which the carrying amount of the inventories exceeds its recoverable amount. See "Financial Information–Current Assets and Liabilities–Inventories" for further details.

We have established inventory control procedures to monitor the stock level of raw materials, parts and components, work-in-progress and finished goods. We have internal resource planning and monitoring procedures in place to ensure the efficient and effective management of our inventories. Such procedure keeps a record of our inventories so that we have ready access to inventory levels and movement. We have management procedures that monitor the planning and allocation of warehouse space for finished products to meet the delivery requirements and schedules and for raw materials, parts and components, as well as work-in-progress to meet production needs. We also carry out inventory counts on a regular basis to ensure that our records are up-to-date.

Generally, we keep our inventory of raw materials, parts and components at the appropriate level and place them into the production process only when they are used. We keep the volume of work-in-progress products at an appropriate level to facilitate the production process.

Given our efficient manufacturing and the limited production lead time, which typically ranges from ten days to one month, we normally only commence the production process when we have received a customer order. We typically arrange delivery of finished products within one month following the completion of production. Such arrangement ensures our production and storage efficiency, while allowing us to meet our customer demand on a timely basis.

INTELLECTUAL PROPERTY RIGHTS

We believe that the development and the protection of our intellectual property rights have been, and will continue to be, critical to our success. As of Latest Practicable Date, we had over 80 registered trademarks in China and overseas. We are entitled to use all of the trademarks required for our operations. As of Latest Practicable Date, we held over 800 registered patents in multiple jurisdictions, principally in China. We expect that we will continue to apply for additional patents in the future as we develop new products, technology and designs. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

We rely on trade secret protection and confidentiality and non-competition agreements to safeguard proprietary know-how that is not patentable or for which patents are difficult to enforce. Our personnel who have access to sensitive and confidential information have entered into confidentiality and non-competition agreements with us. In addition, whenever sensitive information is being handled, there is a series of strict procedures and rules in place to protect such sensitive information, including restricting access to such sensitive information to qualified individuals who have passed the necessary background checks. See "Appendix VII – Statutory and General Information – 2. Further information about our Business."

COMPETITION

The semi-trailer and truck body markets are highly competitive. Our competitors vary widely by region and scale of operations. In China, we face competition from companies such as Liangshan Lutong Special Vehicle Manufacturing Co., Ltd. and Shandong Luoxiang Automobile Manufacturing Co., Ltd. We also face competition from Sunhunk Heavy Industries Group in terms of dump beds for dump trucks, and Chitian Automobile Co., Ltd. in terms of mixers for mixer trucks. In the US, we mainly face competition from companies such as Hyundai Translead, Inc. and Wabash National Corporation, which are well-known North American brands. In Europe, we mainly face competition from brands such as Schmitz Cargobull AG and Krone Commercial Vehicle Group which are well-known European brands. See "Industry Overview–Overview of Global, PRC, North American and European Semi-trailer Markets–Competitive Landscape" and "Industry Overview–Overview of PRC Truck Body Market–Competitive Landscape."

We believe we are able to compete on the basis of our reputation, high-quality products, strong production, research and development capabilities, integrated procurement system, extensive distribution network and strong relationships with our customers.

ENVIRONMENTAL MATTERS

We place great emphasis on environmental protection measures and policies in our business operations. We are subject to extensive national and local environmental laws and regulations governing pollution, noise emissions, hazardous substances, water and waste discharge and management, and other environmental matters relating to our properties and operations. Our products must comply with the applicable safety, exhaust and performance standards adopted by the respective jurisdictions into which we sell our products. See "Regulatory Environment."

We are committed to clean production, reducing the emission of carbon dioxide and volatile organic compounds, the discharge of waste and the consumption of energy and resources, and strengthening our sense of social responsibility. Our manufacturing and assembly plants discharge pollutants, including waste water, air emissions, solid waste and noise during the production process. We have adopted a set of waste treatment procedures in our manufacturing and assembly plants to prevent and minimize pollution and have implemented measures to control noise levels during the manufacturing process to comply with applicable environmental standards. For example, we adopted advanced equipment and environment-friendly technology, such as the KTL lines, to reduce waste gas emission, waste water and residues discharge.

We complied with applicable environmental laws and regulations in all material respects during the Track Record Period with respect to our operations in the jurisdictions in which we have significant operations, including China, the US, the UK and Belgium. Our Directors are of the view that we have obtained all material environmental permits to conduct our production activities and our businesses have complied with currently applicable national and local environmental laws and regulations in all material aspects during the Track Record Period. In 2016, 2017 and 2018, our cost of compliance with environmental protection rules and regulations in terms of contract amounts was approximately RMB12.5 million, RMB37.5 million and RMB37.0 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any major incident causing environmental pollution, and we have not received any notifications or warnings, nor have we been subject to any material fines or penalties, in relation to any breach of applicable environmental laws or regulations.

As of the Latest Practicable Date, five of our manufacturing plants in China have yet completed the relevant environmental impact assessment and/or environmental acceptance inspection, due to the lack of experience of our subsidiaries' operating teams who did not fully understand the relevant requirements under applicable PRC laws and regulations. Our PRC legal advisors are of the view that these incidents did not have a material adverse effect on our business, financial condition and results of operations, due to the following:

- Our two plants in Zhenjiang obtained written confirmations from relevant government authorities. Our PRC legal advisors interviewed the relevant government authorities in Yangzhou and Jiangmen. All these government authorities have confirmed that we can still use the relevant plants during the rectification period and that these four plants will not be subject to fines; and

- CIMC Liaoning was fined RMB40,000 for our Yingkou plant in January 2019. Our PRC legal advisors interviewed the relevant authority regulating our Yingkou plant, which confirmed that CIMC Liaoning had fully paid the fine, that we can still use the plant currently in use and that there will be no more fines or penalties on the same issue.

We have enhanced our compliance practices and engaged local environmental assessment agents to carry out the relevant inspection procedures so that we can undertake and complete the relevant environmental impact assessment and/or environmental acceptance inspection. Our PRC legal advisors also provided comprehensive training to our legal and compliance staff to prevent the recurrence of similar incidents.

INSURANCE

We carry occupational injury, medical and unemployment insurance and other state-mandated insurance for our employees in compliance with applicable laws and regulations. We also maintain commercial insurance for our assets, as well as business interruption insurance, public liability insurance and machinery damage insurance in China and overseas. We maintain property insurance for our manufacturing and assembly plants globally, consistent with what we believe to be customary practice.

Based on an assessment of the risk exposure of our operations, we believe that our insurance is adequate and customary for semi-trailer and truck body manufacturers of our scale and geographic coverage. We continually review and assess the risk exposure of our Group and our employees, and will make necessary and appropriate adjustments to our insurance coverage in line with our needs and industry practice and in compliance with regulatory requirements. However, we may still be subject to losses resulting from risks that are not covered by the insurance we currently carry, such as losses caused by weather, disease, civil strife, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. See "Risk Factors–Risks Relating to Our Business–Insurance coverage for our business, products and properties may not be sufficient."

During the Track Record Period and up to the Latest Practicable Date, we have not received any material product liability or third-party liability claims from our customers or any other third parties and have not experienced any material business interruptions or losses relating to our manufacturing and assembly plants, business and properties.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to relevant rules and regulations on occupational health and safety. See "Regulatory Environment–Applicable Laws and Regulations in the PRC–Laws and Regulations in Relation to Labor" for further details. We have a dedicated safety management team, which is responsible for handling production safety accidents and keeping records.

We have established comprehensive work safety, accident handling and rescue and safety training policies and procedures to ensure that our operations comply with applicable laws and regulations. In addition, to increase workplace safety awareness, we provide regular safety training to our employees. We provide our workers with personal protective equipment and ensure that our manufacturing and assembly plants have adequate precautionary measures, are not cluttered and have clear walkways for employees. We have placed a number of warning signs at prominent locations at our workplaces. Work safety is also an important factor in the annual performance evaluation for our management teams.

During the Track Record Period and up to the Latest Practicable Date, we have not had any material incidents or complaints of work-related injuries or casualties. Our PRC legal advisors have advised us that we were not subject to material punishment for violating applicable production safety laws and regulations during the Track Record Period.

EMPLOYEES

As of December 31, 2018, we had 14,990 full-time employees, of which approximately 83.7% were in China and 16.3% were overseas. The table below sets forth a breakdown of our employees by function as of December 31, 2018:

Function	**Number of Employees**
Administration and Management	1,051
Manufacturing, Supply Chain and Quality Control	11,325
Sales and Marketing	1,293
Research and Development	692
Equipment Management	339
Finance and Legal	290
Total	**14,990**

We provide our employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and industrial injury insurance schemes and housing provident fund schemes. We are committed to providing sophisticated and systematic training to our employees to equip them with the necessary skills and knowledge to perform their jobs competently and to give them the opportunities to realize their personal career goals and aspirations. We hire employees through campus recruitment, open job markets, employment agents and internal referrals.

We conduct annual performance reviews of our employees, providing valuable and constructive feedback. Based on the results of the annual reviews, we award performance-based bonuses to our employees. The bonuses for sales personnel are based on their sales performance, and for manufacturing employees are based on the number of product units produced. We adopt profit-sharing incentive programs to incentivize our local management teams and better align the interests of our local subsidiaries with our own.

Most of our manufacturing subsidiaries in China and Europe have labor unions. We do not enter into any collective bargaining agreement with our employees. We have not had any material labor disputes with our employees which might materially and adversely affect our business operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As of December 31, 2018, we occupied certain properties mainly in China, the US, the UK, Belgium, Australia, Poland, South Africa, Thailand and Vietnam.

Property Valuation

Cushman & Wakefield, an independent property valuer, has valued our selected properties as of April 30, 2019. For the full property valuation report, see "Appendix III – Property Valuation Report." Having considered the implications of Rule 5.01A of the Listing Rules, the property interest not subject to valuation is the property interest (i) that form part of our property activities and with a carrying amount below 1% of our total assets, and the total carrying amount of such property interests not valued does not exceed 10% of our total assets, and (ii) that does not form part of our property activities and the carrying amount of such property interest is not above 15% of our total assets.

Properties in China

We own and lease properties in China primarily for production facilities, warehouses, office space, product exhibition and staff accommodation. As of December 31, 2018, in China, we owned 46 parcels of land with a total site area of approximately 4,943,898 square meters and owned 198 buildings or units with a gross floor area of approximately 1,152,067 square meters. In addition, we leased three parcels of land with a total site area of approximately 2,293 square meters and 12 buildings or units with a gross floor area of approximately 85,249 square meters.

Owned Properties

Owned Land

As of December 31, 2018, we owned the land use rights of 46 parcels of land with an aggregate site area of approximately 4,943,898 square meters in China, which are mainly used for production operations and warehouses.

As of the Latest Practicable Date, we had obtained the land use right certificates for all these 46 parcels of land.

Owned Buildings

As of December 31, 2018, we owned 198 buildings or units with a gross floor area of approximately 1,152,067 square meters in China. Among the 198 buildings or units that we owned, we have obtained the building ownership certificates for 113 buildings with a gross floor area of approximately 603,717 square meters, representing 52.4% of the gross floor area of buildings that we owned.

We have not obtained the building ownership certificates for 85 buildings with a gross floor area of approximately 548,350 square meters, representing 47.6% of the gross floor area of the buildings owned by us, of which three buildings of 45,042 square meters for production operations and nine buildings of 6,051 square meters for non-production purposes, representing 3.9% and 0.5%, respectively, of the gross floor area of the buildings owned by us, are newly purchased properties or constructed properties. The revenue generated from the properties with defective titles in 2016, 2017 and 2018 was RMB2,160.8 million, RMB3,553.7 million and RMB7,354.6 million, respectively. The gross profit generated from the properties with defective titles in 2016, 2017 and 2018 was RMB266.8 million, RMB567.1 million and RMB1,037.8 million, respectively. We are in the process of applying for building ownership certificates from the competent governmental authorities. In relation to the newly purchased properties and the constructed properties mentioned above, as we have obtained the main documents necessary for applying the building ownership certificates, including permits for planned construction projects, permits for construction and the completion and acceptance approvals, our PRC legal advisors are of the view that there is no legal impediment to obtain such building ownership certificates after we clear outstanding installments and submit adequate application materials pursuant to the relevant laws and regulations. Among the remaining 73 buildings with a gross floor area of 497,257 square meters (the "Seventy-three Buildings"), representing 43.1% of the gross floor area of the buildings owned by us, details are set forth below:

- *Title status*. We have (i) 26 buildings for production operations with a gross floor area of 382,066 square meters, representing 33.2% of the gross floor area of the buildings owned by us, and (ii) 47 buildings for office, warehouses or other non-production purposes with a gross floor area of approximately 115,191 square meters, representing 10% of the gross floor area of the buildings owned by us, for which we have not obtained the building ownership certificates, primarily because we have not obtained the relevant construction-related certificates principally as a result of (i) certain missing aged documents which we cannot locate; and (ii) failure to make construction-related certificate application in time due to relevant employees' oversight.

- *Legal consequences*. Our PRC legal advisors, Shu Jin Law Firm, have advised us that (i) under the PRC Law on Urban and Rural Planning (中華人民共和國城鄉規劃法), we may be required to rectify the noncompliance within a specified period and may be subject to a fine of not less than 5% but not more than 10% of the construction cost of the relevant buildings for the failure to obtain the permit for a planned construction project or without complying with the provisions in the permit, and if such impact cannot be eliminated, we may be required to demolish such buildings or structures, or if such buildings or structures cannot be demolished, the unlawful income shall be confiscated, and we may, in addition, be fined not more than 10% of the construction cost of the relevant buildings; (ii) we may be ordered to pay a penalty between 1% to 2% of the construction contract price for properties that have commenced construction without construction permits or reports under the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) and related laws and regulations; and (iii) we may be required to pay a penalty between 2% and 4% of the construction contract price for the contractual project price for the failure to obtain the completion and acceptance approval under the Regulations on the Quality Management of Construction Projects (建設工程質量管理條例) and related laws and regulations.

- *Potential penalties*. Among the Seventy-three Buildings, we have not obtained the completion and acceptance approval (建設工程竣工驗收) for two buildings built by CIMC Shenzhen, one with a gross floor area of 1,922 square meters for production operations and the other with a gross floor area of 2,817 square meters for office or other non-production purposes, representing 0.2% and 0.2%, respectively, of the gross floor area of the buildings owned by us. We estimate the maximum potential penalties for our failure to obtain the completion and acceptance approval to be up to approximately RMB669,600 in the aggregate pursuant to the PRC laws on construction and related laws and regulations. Our PRC legal advisors are of the view that such penalties, if imposed on us, would not have a material adverse effect on our operations.

  For lack of other construction-related certificates for the Seventy-three Buildings, based on that (i) during the Track Record Period and up to the Latest Practicable Date, we have maintained our undisturbed usage and occupation of the Seventy-three Buildings, and have not received any notice from competent authorities imposing any fines or penalties for using the buildings, or requiring us to relocate or demolish them; and (ii) we obtained written confirmations from relevant governmental authorities or our PRC legal advisors interviewed relevant governmental authorities, it is confirmed that (a) such governmental authorities were aware of the situation of these buildings and would assist us with obtaining the construction-related certificates and/or (b) such governmental authorities confirmed either that they would not impose fines or penalties on the Company or that the likelihood of such fines or penalties being imposed on the Company would be remote, our PRC legal advisors are of the view that (i) the above-mentioned governmental authorities are the competent authorities to provide the foregoing confirmations; and (ii) there is a remote risk that we would be subject to penalties for failure to obtain the construction-related certificates for the Seventy-three Buildings. Although the risk is remote, we estimate the maximum potential penalties for our failure to obtain the construction-related certificates for such buildings to be up to approximately RMB63.3 million in the aggregate pursuant to the PRC Law on Construction and related laws and regulations. Such maximum potential penalty amount, if imposed on us, would account for only about 0.3% of our total revenue in 2018. Our PRC legal advisors are of the view that the risk of such penalties that may be imposed on us in relation to the incompletion of the construction-related certificates, individually or collectively, would not have a material adverse effect on our operations.

- *Internal control and rectification measures*. We are in the process of preparing required application materials and will continue to obtain relevant construction-related certificates and apply for building ownership certificates from competent governmental authorities. We are and will continue to actively promote coordination and facilitate communication with competent governmental authorities to complete the relevant formalities in a timely manner. We did not receive any penalty, objection, inquiry or investigation from competent authorities or third parties with respect to such buildings during the Track Record Period. As of the Latest Practicable Date, all of such buildings were not subject to any disputes or potential disputes and we had not been advised by any government authority or third parties to cease our use of such buildings for our business activities, or pay fines or make compensations. We will use our best efforts to secure replacement buildings.

Leased Properties

Leased Land

As of December 31, 2018, we leased a total of three parcels of land from third parties with a site area of 2,293 square meters in China. We use the leased land for office and product exhibition purposes.

For two of the three parcels of leased land with a site area of 2,093 square meters, the relevant lessors did not provide us with the relevant title certificates. The land use right of the remaining one parcel of leased land, with a site area of 200 square meters, had been allocated by government to the relevant lessor, who provided us with the title certificate but failed to provide the relevant government approval for leasing. We did not receive any penalty, objection, inquiry or investigation from the competent authorities or third parties with respect to such leased land during the Track Record Period.

Our PRC legal advisors are of the view that (i) as the lessors who hold the allocated land use right are the responsible parties to apply for the approval of the relevant governmental authorities for leasing the land use right allocated by the government, the Company, as a renter, will not be subject to potential legal liability arising from the deficiencies relating to the leased land, and (ii) as the leased land is used for our office and product exhibition purposes, and the total site area is relatively small, such deficiencies will not, individually or in aggregate, have any material adverse impact on our business. In addition, the Directors believe that in the event we are requested to relocate, considering the usage of the leased land, we will be able to find comparable replacement premises in a timely manner at minimal expense, which will not have any material adverse impact on our business.

Leased Buildings

As of December 31, 2018, we leased 12 buildings in China with a gross floor area of approximately 85,249 square meters. Among the 12 leased buildings, the lessors of eight, with a gross floor area of approximately 1,778 square meters, representing 2.1% of the gross floor area of the buildings that we leased, have not provided us with the relevant building ownership certificates. We use the leased buildings for office and staff accommodation purposes. Our PRC legal advisors are of the view that (i) as the owners of the leased buildings are the responsible parties to apply for the construction related certificates and the ownership certificates, the Company, as a renter, will not be subject to potential legal liability arising from the deficiencies relating to the leased buildings, and (ii) as the leased buildings are used for our office and staff accommodation purposes, and the total gross floor area is relatively small, such deficiencies will not, individually or in aggregate, have any material adverse impact on our business. In addition, the Directors believe that in the event we are requested to relocate, considering the usage of the leased buildings, we will be able to find comparable replacement premises in a timely manner at minimal expense, which will not have any material adverse impact on our business.

In addition, the leases to 11 of the 12 leased buildings were not registered with the relevant PRC government authorities. The registration of such leases will require the cooperation of the relevant lessors. We will take all practical and reasonable steps to register the leases. Our PRC legal advisors have advised us that we may be required by the relevant PRC government authorities to register the relevant lease agreement within a prescribed period, failing which may lead to a fine of not more than RMB10,000 for each unregistered lease agreement. The Directors are of the view that considering the amount of the maximum potential fines of RMB110,000, our results of operations will not be materially and adversely affected.

Overseas Properties

As of the Latest Practicable Date, our overseas properties that are material to our business operations are located in the US, the UK, Belgium, Australia, Poland, South Africa, Thailand and Vietnam. In particular:

- we owned and held land with a gross site area of approximately 3,243,261 square meters and certain buildings or units with a gross floor area of approximately 763,614 square meters, which are primarily used for our production and assembly lines; and

- we leased land with a gross site area of approximately 135,292 square meters, and certain buildings with a gross floor area of approximately 142,773 square meters, which are primarily used for production operations, offices, production, residential and other non-production uses.

LEGAL PROCEEDINGS AND COMPLIANCE

We are subject to regular inspections, examinations and audits, and are required to maintain or renew the necessary permits, licenses and approvals for our business operations under applicable laws and regulations. See "Regulatory Environment" for further details of the relevant permits and licenses relevant to our business operations. Our Directors, based on advice from our PRC legal advisors, Shu Jin Law Firm, confirmed that, as of the Latest Practicable Date, except as otherwise disclosed in this prospectus, we had complied with laws and regulations in the PRC that are relevant to our operations in all material respects, including obtaining such licenses, approvals and permits from the relevant regulatory authorities which are material to our operations. In addition, our Directors, based on advice from our legal advisors in the relevant jurisdictions, confirmed that, as of the Latest Practicable Date, we had complied with applicable laws and regulations with respect to our operations in all material respects in those foreign jurisdictions in which we have significant operations, namely the US, the UK and Belgium.

Legal Proceedings

We have been, and may from time to time in the future be, involved in arbitration, litigation or regulatory proceedings relating to contract disputes, intellectual property rights disputes and other matters arising from the ordinary course of our business. The following is a recent example of outstanding litigation against us in which a significant amount of damages was sought.

In October 2016, Ping An Bank Co., Ltd., Chengdu Branch, ("Ping An Bank") filed a lawsuit with Chengdu Intermediate People's Court claiming a contract dispute against our subsidiary, Sichuan CIMC Vehicle Logistics Equipment Co., Ltd. ("Sichuan CIMC"). Ping An Bank alleged that Sichuan CIMC was obliged to return the purchase consideration under a series of contracts entered into among Sichuan CIMC, a third-party merchant and Ping An Bank, pursuant to which the merchant agreed to purchase vehicles from Sichuan CIMC with bank acceptance notes from Ping An Bank and to provide performance bonds to Ping An Bank at the same time. As the third party did not provide a sufficient amount of performance bonds to Ping An Bank in accordance with the terms, Ping An Bank filed a lawsuit against Sichuan CIMC for refund of the payment made to Sichuan CIMC. In July 2017, the court entered into a default judgment against us ordering us to return the purchase consideration of RMB34.5 million, together with interest accrued thereon and other related expenses. On November 23, 2018, the Sichuan Higher People's Court issued a ruling to retry the case and suspend the execution of the original judgment, based upon the findings that certain key evidence may have been forged, and the service of process against us was invalid. As of the Latest Practicable Date, no final judgment or decision has been made for this outstanding proceeding.

After consultations with Sichuan CIMC's defense counsel, we believe that this pending legal proceeding would not result in a material adverse effect to our business, financial condition and results of operations, even if the relevant court in Chengdu issues an unfavorable judgment against Sichuan CIMC, in consideration that (i) Sichuan CIMC is a limited liability company, and our Company, as the sole shareholder of Sichuan CIMC, would only be responsible for its debts to the extent of our capital contribution in Sichuan CIMC of RMB5.0 million, and (ii) as of the Latest Practicable Date, Sichuan CIMC was dormant and had a deficit net worth, and, should the court issue a favorable ruling to Ping An Bank, Sichuan CIMC could only be put into liquidation procedures, under which the proceeds from the liquidation of its total assets would be distributed to repay its creditors, including Ping An Bank, according to the priority of creditors' claims.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Licenses and Permits

The following table sets forth the major licenses and permits for our business, their respective granting authority and expiry date as of the Latest Practicable Date:

Country	Name of the License/Permit	Relevant Authority	Expiry Date
China	World manufacturer identification (Trailer)	China Automotive Technology and Research Center Co., Ltd.	February 27, 2020
China	World manufacturer identification (Truck)	China Automotive Technology and Research Center Co., Ltd.	April 16, 2021
China	Measures for Market Access Permission for Road Motor Vehicle Manufacturers and Products	Ministry of Industry and Information Technology of the PRC	Not applicable
US	World manufacturer identification	National Highway Traffic Safety Administration	Not applicable
UK	World manufacturer identification	British Standard Institution	October 2019
UK	Conformity of production compliance statement	Vehicle Certification Agency	December 1, 2019
South Africa . .	Builder and Manufacturer Certificates	National Road Traffic Act	Not applicable

Noncompliance

During the Track Record Period, we did not make, or did not make sufficient, contributions to the social insurance plan or housing provident fund for some of our employees pursuant to applicable PRC laws and regulations. Rather, we had made contributions based on the standard accepted by the relevant local authorities, instead of a standard based on the average salary of our employees as prescribed by relevant PRC laws and regulations. As of the Latest Practicable Date, we did not receive any written notice from social insurance plan or housing provident fund authorities requiring us to make contributions within a prescribed time, to make supplemental contributions, or which subjected us to any material administrative penalties.

Our failure to make, or to make sufficient, contributions for social insurance plan was mainly due to (i) participation by the relevant employees in new rural cooperative medical schemes and local rural social security systems offered in their place of residency and (ii) our local management teams lacking experience and a full understanding of applicable requirements under relevant PRC laws and regulations.

Our failure to make, or to make sufficient, contributions for housing provident fund was mainly due to (i) some of our employees being migrant workers whose places of residency are different from the place of work and (ii) our local management teams lacking experience and a full understanding of applicable requirements under relevant PRC laws and regulations.

Our PRC legal advisors are of the view that, as of the Latest Practicable Date, (i) the risk of regulatory penalty that the relevant authorities may impose on us in relation to our failure to make sufficient contributions to the social insurance plan or housing provident fund is remote and (ii) our business, financial condition and results of operations would not be materially and adversely affected as a result, based on the following:

- our Company, and 31 of our 51 subsidiaries in China, had obtained written confirmations from the relevant PRC authorities confirming that there are no records of penalties imposed on us and/or the relevant subsidiary was in compliance with relevant laws and regulations for social insurance plan and/or housing provident fund contributions during the Track Record Period;

- one of our 51 subsidiaries in China had obtained written confirmations from the relevant authorities for housing provident fund, and our PRC legal advisors had interviewed the relevant authority for social insurance plan on behalf of such subsidiary, confirming that there were no records of penalties imposed on us for social insurance plan or housing provident fund contributions and there were no records of the outstanding amount of social insurance plan; and

- 13 of our relevant subsidiaries in China were newly established without employees or do not have any business operations.

Our PRC legal advisors are also of the view that, with respect to the remaining seven of our 51 subsidiaries in China, in the event that we are required to pay the outstanding social insurance contributions or housing provident fund within a prescribed time limit and an overdue fine of 0.05% of the delayed payment per day from the date on which the payment for social insurance contribution is payable, our business, financial condition and results of operations would not be materially and adversely affected as a result because (i) the remaining seven subsidiaries had not been subject to any material administrative penalties for social insurance plan or housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date, (ii) as of the Latest Practicable Date, the remaining seven subsidiaries did not receive any notification from the relevant PRC authorities requiring us to pay material shortfalls or penalties with respect to insufficient contributions to social insurance plan or housing provident fund, and (iii) during the Track Record Period, we had an approximately RMB2.6 million shortfall for social insurance plans for six out of the seven subsidiaries which made insufficient contributions to the social insurance plan and RMB1.2 million shortfall for housing provident fund for six out of the seven subsidiaries which made insufficient contributions to the housing provident fund, both amounts accounting for an immaterial amount of our total net assets as of December 31, 2018.

Among our subsidiaries that did not have any business operations, three subsidiaries did not open housing provident fund accounts. Relevant details of these three subsidiaries are set forth below:

- *Company status*. As of December 31, 2018, one subsidiary had no employee and each of the other two had only one employee;

- *Reasons for noncompliance*. Such noncompliance was mainly because (i) the relevant subsidiaries had no business operations and no or very few employees, and (ii) our human resources personnel lacked experience and a full understanding of applicable requirements under relevant PRC laws and regulations;

- *Legal consequences*. Our PRC legal advisors have advised us that, under the Regulations on Management of Housing Provident Fund, we may be required to rectify the noncompliance within a prescribed time limit, failing which may lead to a fine of not less than RMB10,000 but not more than RMB50,000 on each subsidiary; and

- *PRC legal advisors' view.* Our PRC legal advisors are of the view that the risk of such penalties would not materially and adversely affect our business, financial condition and results of operations because (i) none of the three subsidiaries had been subject to any material administrative penalties for housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date, (ii) as of the Latest Practicable Date, none of such subsidiaries had received any notification from the relevant PRC authorities requiring us to open housing provident fund accounts within a prescribed time limit, and (iii) in the event that we are subject to a penalty for the said noncompliance incident, the maximum potential penalty will be RMB150,000.

Accordingly, our Directors are of the view that there is no need to make provision for the foregoing noncompliance incidents.

We have enhanced our internal controls and taken the following rectification measures to prevent future occurrences of such noncompliance incidents:

- *Training*. We strengthened legal compliance training for our personnel, including by engaging our PRC legal advisors to provide training for our personnel on relevant laws and regulations;

- *Policy*. We formulated and distributed to our employees an internal control policy with respect to social insurance plans and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement;

- *Review and record-keeping*. We designated our human resources team and managerial team to monitor the payment status and prepare regular reports of, budgets for, salary and contribution amounts, which will be reviewed and enforced by our human recourses, managerial and global finance management teams to ensure that we make these payments in full and on time;

- *Increasing awareness of developments in the law*. We will regularly keep abreast of the latest developments in PRC laws and regulations in relation to social insurance and housing provident funds, such as the newly issued Reform Plan of the State Tax and Local Tax Collection Administration System (國稅地稅徵管體制改革方案) in July 2018 which came into effect on January 1, 2019.

Notwithstanding the above, our Directors believe that the foregoing incidents would not have a material and adverse effect on our business and results of operations for the reasons described above. As of the Latest Practicable Date, we have not had any disagreements with relevant social insurance plan and housing provident fund authorities with respect to such contributions.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. See "Risk Factors" for more details. We have implemented, and will continue to enhance, the following ongoing measures for the purpose of setting up monitoring controls and reporting mechanisms to ensure effective risk management, including risks relating to regulatory compliance of our business operations to prevent any future property title defects, ensure timely renewal of necessary licenses and permits, and to continuously enhance our corporate governance.

We have implemented various policies and procedures to ensure effective risk management at each stage of our operations, including the production and sale of products, administration of daily operations, financial reporting and recording, fund management, compliance with applicable laws and regulations on environmental protection, production safety and product safety. Our Board oversees and manages the overall risk in our operations. We will continue to conduct regular internal training for our employees and management on applicable laws and regulations to ensure awareness and compliance with the relevant laws and regulations.

We regularly monitor our sales performance and take active measures to manage our production and inventory levels. Before entering into new markets, we typically conduct comprehensive market research and make well-prepared budget plans. As an internal control measure, we maintain a list of permits, licenses and approvals that are required in connection with our business operations, and will update this list from time to time based on our communications with local authorities and advice from our external advisors, as needed, and will continue to regularly monitor the obtaining of permits, licenses and approvals against the list referred to above and ensure that all relevant permits, licenses and approvals are obtained for our new facilities.

To manage our foreign currency exposure, we use forward foreign currency contracts to manage the potential impact of fluctuations in foreign currency exchange rates on our business over time. We enter into cross-currency swaps to mitigate floating interest rate and foreign currency exchange rate exposure from long-term borrowings. As of December 31, 2016, 2017 and 2018, the total notional principal amount of outstanding contracts was approximately RMB140.2 million, RMB130.7 million and RMB284.3 million, respectively. Our management team is responsible for supervising the hedging activities.

Upon the Listing of our H Shares on the Stock Exchange, transactions between us and our connected persons, which are entered into in the ordinary course of business, will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Upon Listing, the following entities will become our connected persons:

CIMC

CIMC is our Controlling Shareholder and thus a connected person of our Company. As of the Latest Practicable Date, CIMC Group is interested in approximately 63.33% of the total issued share capital of our Company. Upon completion of the Global Offering, CIMC will be interested in approximately 53.82% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 52.64% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full), and will continue to be our Controlling Shareholder upon the Listing. See "Relationship with Controlling Shareholders" for further details on our relationships with CIMC.

Accordingly, CIMC Group and associates of CIMC ("CIMC Connected Persons", and, for the avoidance of doubt, excludes our Group) are our connected persons by virtue of Rule 14A.07(4) of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts	Proposed annual cap for the year ending December 31,
			(RMB'000)	(RMB'000)
Exempt continuing connected transactions				
1. Properties Leasing Framework Agreement	14A.34, 14A.52, 14A.53, 14A.76	N/A	N/A	N/A
2. Properties Management Service Framework Agreement	14A.34, 14A.52, 14A.53, 14A.76	N/A	N/A	N/A
3. Trademark Licensing Agreement	14A.34, 14A.52, 14A.53, 14A.76	N/A	N/A	N/A

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts	Proposed annual cap for the year ending December 31,
			(RMB'000)	**(RMB'000)**
Non-exempt continuing connected transactions				
4. Deposit Service Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59, 14A.71 to 14A.76	Announcement requirement	**Balance of deposit placed by our Group with CIMC Group:** As of December 31, 2016: 969,641 As of December 31, 2017: 1,690,420 As of December 31, 2018: 1,782,660	**Maximum daily balance of deposit placed by our Group with CIMC Group:** 2019: 700,000 2020: 700,000
			Interest income derived from the cash deposits: For the year ended December 31, 2016: 4,121 For the year ended December 31, 2017: 11,988 For the year ended December 31, 2018: 11,208	**Interest income received from the cash deposits:** 2019: 20,000 2020: 20,000
5. Procurement Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59, 14A.71 to 14A.76	Announcement requirement	For the year ended December 31, 2016: 347,561 For the year ended December 31, 2017: 358,665 For the year ended December 31, 2018: 646,748	2019: 700,000 2020: 760,000 2021: 820,000
6. Provision of Products and Services Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59, 14A.71 to 14A.76	Announcement requirement	For the year ended December 31, 2016: 154,183 For the year ended December 31, 2017: 204,823 For the year ended December 31, 2018: 251,254	2019: 300,000 2020: 350,000 2021: 400,000
7. Financial Guarantees Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59, 14A.71 to 14A.76	Announcement requirement	**Balance of financial guarantees provided by our Group to CIMC Financial Group:** As of December 31, 2016: 39,666 As of December 31, 2017: 208,165 As of December 31, 2018: 389,773	**Maximum daily balance of financial guarantees provided by our Group to CIMC Group:** 2019: 700,000 2020: 760,000 2021: 820,000

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Properties Leasing Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons) (the lessor); and

Our Group (the lessee).

We entered into a properties leasing framework agreement (the "Properties Leasing Framework Agreement") with CIMC (on behalf of CIMC Connected Persons) on January 15, 2019, pursuant to which our Group will lease certain properties from CIMC Connected Persons. Historically, we have been using such properties of CIMC Connected Persons as our offices and staff dormitories. Upon the Listing, we will continue to use certain properties of CIMC Connected Persons on normal commercial terms or better to our Group and the rents payable to CIMC Connected Persons will be determined after arms' length negotiations with reference to market rates of properties of comparable size and quality in the vicinity. We currently estimate that the rents payable by our Group under the Properties Leasing Framework Agreement will not exceed RMB7.0 million on an annual basis.

The initial term of the Properties Leasing Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

The Properties Leasing Framework Agreement was entered into on normal commercial terms and the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, the Properties Leasing Framework Agreement and any transactions contemplated thereunder constitute de minimis continuing connected transactions and would be exempt from annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Properties Management Service Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons) (as the service provider); and

Our Group (as the service recipient).

We entered into a properties management service framework agreement (the "Properties Management Service Framework Agreement") with CIMC (on behalf of CIMC Connected Persons) on January 15, 2019, pursuant to which CIMC Connected Persons will provide properties management services (including but not limited to daily maintenance and cleaning of properties, management of access of individual and vehicles, and landscaping) to the properties used or rented by our Group in return for properties management fees. The initial term of the Properties Management Service Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

The Properties Management Service Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable to our Group than those for transactions entered into between our Group and Independent Third Parties. The properties management service fee shall be determined with reference to the market prices of property management service of comparable properties in the vicinity in which the relevant properties are located, taking into consideration of: (i) the scope of management services; (ii) the scale and size of the properties; and (iii) the personnel arrangement required for providing the relevant management services. We currently estimate that the property management fees payable by our Group to CIMC Connected Persons will not exceed RMB2.0 million on an annual basis.

The Properties Management Service Framework Agreement was entered into on normal commercial terms and the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, the Properties Management Service Framework Agreement and any transactions contemplated thereunder constitute de minimis continuing connected transactions and would be exempt from annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Trademark Licensing Agreement

Parties: CIMC (the licensor); and

Our Group (the licensee).

We entered into a trademark licensing agreement on December 20, 2018 and subsequently a supplemental agreement on January 31, 2019 to limit the duration of the trademark licensing agreement to a fixed period of five years from December 20, 2018 (together, the "Trademark Licensing Agreement") with CIMC, pursuant to which CIMC agreed to grant our Group a non-exclusive license for the use of certain trademarks registered in the name of CIMC ("Licensed Trademarks") and any trademarks to be registered in the name of CIMC within the specified scope of licensing on a royalty-free basis. We will use the Licensed Trademarks and any trademarks to be registered in the name of CIMC within the scope specified in the Trademark Licensing Agreement. The term of the Trademark Licensing Agreement shall commence from December 20, 2018 and be effective for five years. During the period, CIMC is entitled to terminate the licensing arrangement with six months' prior written notice. See "Appendix VII – Statutory and General Information – 2. Further Information about our Business – B. Intellectual Property Rights – (b) Trademarks – (ii) Trademarks licensed by CIMC Group" for details of the Licensed Trademarks and the scope of licensing specified under the Trademark Licensing Agreement.

Our Directors and the Sole Sponsor are of the view that entering into the Trademark Licensing Agreement with a duration of over three years is in line with the normal business practice for agreements of this type, will promote the stability of operations and is beneficial to the Shareholders as a whole.

The applicable percentage ratios calculated for the Trademark Licensing Agreement for the purpose of Chapter 14A of the Listing Rules are less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, the Trademark Licensing Agreement and any transactions contemplated thereunder constitute de minimis continuing connected transactions and would be exempt from announcement, annual reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

4. Deposit Service Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons); and

Our Group.

Reasons for the transaction: Since February 2010, our Group has deposited cash into its bank accounts maintained with CIMC Financial Institution, a non-wholly owned subsidiary of CIMC and a non-bank financial institution, and CIMC Financial Institution has provided deposit services to our Group. In return, our Group receives interest income from CIMC Financial Institution on such deposits. Such deposit taking service is within the ordinary and usual course of business of CIMC Financial Institution and CIMC Financial Institution is restricted from providing such deposit taking service to independent parties from the public in accordance with applicable PRC laws. As of December 31, 2018, CIMC Financial Institution had a registered capital of RMB920 million. We consider that it is in the best interests of our Group and the Shareholders of our Group to enter into transactions with CIMC Connected Persons under a deposit service framework agreement for the following reasons:

(a) the interest rates on the deposit services offered by CIMC Connected Persons will, on a case-by-case basis, be no less favorable than those offered to our Group by Independent Third Parties;

(b) CIMC Connected Persons have acquired extensive knowledge of our industry over the years of providing deposit services to our Group and are therefore familiar with our capital structure, business operations, funding needs and cash flow patterns, which enables them to better anticipate our business needs;

(c) the arrangements under the deposit service framework agreement would allow our Group to efficiently manage our funds, and would increase our bargaining power with regard to the terms and interest rates of the deposit services.

We will ensure that our Group will only obtain deposit services from those CIMC Connected Persons who hold the requisite license for providing such services in the PRC or elsewhere.

Principal terms: We entered into a deposit service framework agreement (the "Deposit Service Framework Agreement") with CIMC (on behalf of CIMC Connected Persons) on January 15, 2019, pursuant to which CIMC Connected Persons will provide deposit services to our Group. For the deposit services provided, we deposit cash into our bank accounts maintained with CIMC Financial Institution, including cash generated from our daily business operations and proceeds generated from our financing activities. In return, CIMC Financial Institution pays deposit interests to us.

The initial term of the Deposit Service Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: Interest rates for the deposits placed by our Group with CIMC Connected Persons shall be determined with reference to: (i) the interest rates published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by other subsidiaries of CIMC Group with CIMC Connected Persons; and (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks and/or other non-bank financial institutions to us.

The Deposit Service Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable to our Group than those entered into between our Group, and independent commercial banks and/or other non-bank financial institutions.

Historical amounts:

	Historical amounts (RMB'000)		
	As of December 31, for the year ended December 31,		
	2016	**2017**	**2018**
Balance of deposit placed by our Group with CIMC Financial Institution	969,641	1,690,420	1,782,660
Interest income derived from the cash deposit	4,121	11,988	11,208

Annual caps: The maximum daily balance of deposit and the aggregate annual amount of interest income in respect of the Deposit Service Framework Agreement for the two years ending December 31, 2019 and 2020 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 (RMB'000)	
	2019	**2020**
Maximum daily balance of deposit placed by our Group with CIMC Connected Persons	700,000	700,000
Interest income derived from the cash deposit	20,000	20,000

Basis of caps: The above annual caps for maximum daily balance of deposit are determined with reference to (i) historical balance of deposits placed by our Group with CIMC Financial Institution; and (ii) our efforts to reduce our balance of deposits in order to further enhance our financial independence from CIMC Group in the future.

In respect of the deposit services to be provided by CIMC Connected Persons to our Group, the above proposed annual caps for the interest income to be received by us from CIMC Connected Persons are determined based on the expected interest rates of approximately 2.86% of our maximum outstanding deposit amount, which is generally in line with prevailing market rates.

5. Procurement Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons) (as the supplier); and

Our Group (as the purchaser).

Reasons for the transaction: We have been procuring raw materials, truck chassis, containers, vehicle parts and components, logistics services, etc. from CIMC Connected Persons. We will continue to procure such products and services from CIMC Connected Persons as CIMC Connected Persons have been providing us with such products and services with standard and quality commensurate with our requisite safety and quality standard. As such, we believe that CIMC Connected Persons are familiar with our safety and quality standard and will be able to satisfy our demand efficiently and reliably with minimal disruption to our Group's operations and internal procedures.

We believe that we have readily available access to identical or similar raw materials, containers, truck chassis and vehicle parts and components and logistics services from Independent Third Parties on similar terms in the PRC and elsewhere, but that such procurement from Independent Third Parties would not be as efficient from a cost perspective or operation perspective as our current procurement arrangements with CIMC Connected Persons.

Principal terms: We entered into a procurement of products and services framework agreement on January 15, 2019 and will enter into a supplemental agreement before Listing to adjust the annual caps to those as indicated in the paragraph "Annual caps" below (together, the "Procurement Framework Agreement") with CIMC (on behalf of CIMC Connected Persons), pursuant to which CIMC Connected Persons will supply raw materials, containers, truck chassis and vehicle parts and components and logistics services to our Group.

The initial term of the Procurement Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: In order to ensure that the terms of transactions in respect of the procurement of products and general services by our Group from CIMC Connected Persons are fair and reasonable and in line with market practices, and that the terms of transactions will be no less favorable to our Group than the terms for transactions between our Group and Independent Third Parties, our Group has adopted the following measures:

(a) to have regular contact with the suppliers of our Group (including CIMC Connected Persons) to keep abreast of market developments and the price trend of products and general services;

(b) to assess, review and compare the quotations or proposals (except for the procurement of truck chassis, the suppliers of which are subject to the preference of the customers of our Group) taking into account various factors including quality, payment, flexibility and after-sales services to ensure that the proposed transactions will be consistent with the general interests of our Group and our Shareholders as a whole.

Raw materials, containers, truck chassis and vehicle parts and components

Raw materials, containers, truck chassis and vehicle parts and components will be priced with reference to market prices of comparable products and services, and the costs that would incur in procuring such products and services.

Logistics services

The fees of logistics services will be charged on the basis of the volume, size and weight of the semi-trailers, truck bodies or components and parts to be shipped, custodial requirements, and delivery and handling requirements. When determining the prices, the procurement department of our Group will also make reference to market prices charged by logistics service providers to other enterprises engaging in the same industry.

When our Group procures relevant products and services in its ordinary and usual course of business, it selects suppliers and determines the relevant procurement terms through negotiations based on the categories and scale of the procurement. Our Group implements various internal approval and monitoring procedures, including obtaining quotations from other independent suppliers of similar products and services and consider assessment criteria (including price, quality, suitability, payment terms, and time required for the provision and delivery of the products and services) before entering into any new procurement arrangement with CIMC, and reviewing such quotes, together with the offer from CIMC.

Historical amounts:

	Historical amounts (RMB'000)		
	Year ended December 31,		
	2016	2017	2018
Procurement amount	347,561	358,665	646,748

Annual caps: The maximum aggregate annual amounts in respect of the Procurement Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 (RMB'000)		
	2019	2020	2021
Procurement amount	700,000	760,000	820,000

Basis of caps: The above annual caps for procurement amount are determined with reference to: (i) historical amounts of procurement from CIMC Connected Persons taking into account the increase in the procurement amounts for the year ended December 31, 2018 when compared to that for the year ended December 31, 2017; and (ii) the estimated sales volume of certain types of trailers and truck bodies with steady growth by taking into account, among others, macroeconomic conditions, market demand and industry standards, as well as the development strategies and business expansion plan of our Group.

6. Provision of Products and Services Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons) (as the purchaser); and

Our Group (as the supplier).

Reasons for the transaction: We have been providing CIMC Connected Persons semi-trailers, truck bodies and components as well as container repairing and supply chain services etc.. In the ordinary and usual course of our business, our Group provides various products and general services to CIMC Connected Persons. Our Directors consider that the provision of products and general services to CIMC Connected Persons would benefit our Group for the following reasons:

(a) we and CIMC Connected Persons have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;

(b) prices and terms for the products and services provided by us to CIMC Connected Persons are no less favorable to us than those offered by us to Independent Third Parties.

Principal terms: We entered into a provision of products and services framework agreement (the "Provision of Products and Services Framework Agreement") on January 15, 2019 with CIMC (on behalf of CIMC Connected Persons), pursuant to which CIMC Connected Persons will purchase semi-trailers, truck bodies, components, container repairing and supply chain services from our Group.

The initial term of the Provision of Products and Services Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: The Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Semi-trailers and truck bodies

In determining the prices of the semi-trailers, truck bodies and components, we will refer to the average profit margin in the market and our underlying costs related to manufacturing and sale of such products. As part of our internal approval and monitory procedures, we will gather information on market prices and profit margin levels of trailer and truck body products in the industry through industrial associations such as the China Association of Automobile Manufacturers (中國汽車工業協會) and independent trailer and truck body manufacturers in the PRC and overseas, and we will use such information as the basis to determine the price and make sure that the price agreed with CIMC will be no less favorable to us compared to those offered to or quoted by Independent Third Parties.

Other services fees

The service fees charged by us to CIMC Connected Persons for provision of container repairing and supply chain services are determined on the basis of arm's length negotiations between the relevant parties. We will make reference to the applicable historical prices of relevant services (including the prices charged of same services provided by our Group to Independent Third Parties), the comparable market prices offered to or quoted by Independent Third Parties and the principle of cost plus a reasonable margin, to ensure that the terms of providing services to CIMC Connected Persons are fair and reasonable for our Group and the price agreed with CIMC will be no less favorable to us compared to those offered to or quoted by Independent Third Parties.

Historical amounts:

	Historical amounts (RMB'000)		
	Year ended December 31,		
	2016	2017	2018
Sales amount	154,183	204,823	251,254

Annual caps: The maximum aggregate annual amounts in respect of the Provision of Products and Services Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 (RMB'000)		
	2019	2020	2021
Sales amount	300,000	350,000	400,000

Basis of caps: The above annual caps for sales amount are determined with reference to: (i) historical amount of sales to CIMC Connected Persons taking into account the increase in the sales amount for the year ended December 31, 2018 when compared to that for the year ended December 31, 2017; and (ii) estimated steady growth on future sales of certain types of semi-trailers and truck bodies to be supplied to CIMC Connected Persons by taking into account, among others, macroeconomic conditions, market demand and industry standards, as well as the development strategies and business expansion plan of our Group.

7. Financial Guarantees Framework Agreement

Parties: CIMC (on behalf of CIMC Connected Persons); and

Our Group.

Reasons for the transaction: Certain customers of our Group may obtain financing from commercial banks in the PRC or other non-bank financial institutions (including non-bank financial institution(s) of CIMC Group ("CIMC Financial Group")) for the purchase of products from our Group. Following such financing arrangement, our Group has, based on our credit assessment of the relevant customers, entered into financial guarantee contracts with the lenders which are the commercial banks or other non-bank financial institutions in the PRC (including CIMC Financial Group) to provide financial guarantees for the benefit of, and to facilitate financing to, such customers.

The provision of financial guarantees to facilitate a customer's purchase of products from our Group is a service offered by us to our customers and is a common practice in the semi-trailer and truck body industry.

Principal terms: We entered into a financial guarantees framework agreement on January 15, 2019 and will enter into a supplemental agreement before Listing to adjust the annual caps to those as indicated in the paragraph "Annual caps" below (together, the "Financial Guarantees Framework Agreement") with CIMC (on behalf of CIMC Connected Persons), pursuant to which our Group agrees to provide financial guarantees to CIMC Financial Group to facilitate the financing to customers of our Group.

The initial term of the financial Guarantees Framework Agreement shall commence on the Listing Date and be effective for three years, subject to renewal upon the mutual consent of both parties.

Pricing policy: The financial guarantees provided by our Group to the CIMC Financial Group are on normal commercial terms or better to our Group compared to those of the financial guarantees provided by our Group to independent commercial banks in the PRC and/or other non-bank financial institutions.

Historical amounts:

	Historical amounts (RMB'000)		
	As of December 31,		
	2016	2017	2018
Balance of financial guarantees provided by our Group to CIMC Financial Group	39,666	208,165	389,773

Annual caps: The maximum daily balance in respect of the Financial Guarantees Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31 (RMB'000)		
	2019	2020	2021
Maximum daily balance of financial guarantees provided by our Group to CIMC Financial Group	700,000	760,000	820,000

Basis of caps: The above annual caps are determined with reference to: (i) historical balance of financial guarantees provided by our Group to CIMC Financial Group taking into account the increase in the balance of guarantees as of December 31, 2018 when compared to that as of December 31, 2017; and (ii) the expected increase in demand for financing of customers taking into account estimated increase in the demand for certain types of semi-trailers and truck bodies as well as the development strategies and business expansion plan of our Group.

Listing Rules Implications

In respect of the continuing connected transactions as described above under (4) the Deposit Service Framework Agreement; (5) the Procurement Framework Agreement; (6) the Provision of Products and Services Framework Agreement; and (7) the Financial Guarantees Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2021 are expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the continuing connected transactions under (4) the Deposit Service Framework Agreement; (5) the Procurement Framework Agreement; (6) the Provision of Products and Services Framework Agreement; and (7) the Financial Guarantees Framework Agreement are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, annual review requirement under 14A.55 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

INTERNAL CONTROL PROCEDURES

Internal control measures

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out on normal commercial terms, we have adopted the following internal control procedures.

We will adopt and implement a management system on connected transactions upon Listing. Under such system, the Audit Committee will be responsible for the review on compliance with relevant laws, regulations, our Group's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each type of transactions.

The Audit Committee, the Board and various internal departments of our Company will also regularly monitor the implementation and the transaction updates under the framework agreements. In addition, the management of our Company also regularly reviews the pricing policies under the framework agreements.

Our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policies.

When considering the rents, interest payment, service fees, and other fees provided by us to the connected persons, our Group will continue to conduct regular research of prevailing market conditions and practices and make reference to the pricing and terms for similar transactions between our Group and Independent Third Parties, to ensure that the pricing and terms offered by the connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable to us than those offered to us by Independent Third Parties.

Independent financial system

We have established an independent financial department with independent financial staffs, which is supervised by our financial director. We have adopted a sound and independent audit system and a comprehensive financial management system. We do not share any bank account with CIMC Group. We have independent tax registrations and have paid tax independently pursuant to relevant applicable laws and regulations. See "Relationship with Controlling Shareholders – Independence from our Controlling Shareholders" in this prospectus for details of the independence of our Group from CIMC Group.

Risk management measures

We will monitor the annual caps proposed under each of the continuing connected transactions as described above to ensure the applicable annual caps are not exceeded. In particular, relating to the Deposit Service Framework Agreement, we have adopted the following procedures to control the risk exposure relating to our deposit with CIMC Financial Institution:

(a) we will regularly check the balance of our deposits with CIMC Connected Persons periodically to monitor our account and to ensure that the relevant transaction amount will not exceed the annual caps under the Deposit Service Framework Agreement;

(b) if the balance is close to or exceeds the applicable maximum daily deposit balance, we shall transfer the excess funds to our designated bank accounts with an independent commercial bank or non-bank financial institution. We will also be notified immediately once the daily balance exceeds the maximum daily balance limit;

(c) our treasury department will monitor our daily deposit with CIMC Finance Institution and conduct periodic risk assessment on our deposits with CIMC Finance Institution; and

(d) we shall closely monitor the financial position and operating conditions of CIMC Connected Persons. If we consider that there are material adverse changes in the financial position of CIMC Connected Persons, we will take appropriate measures, including early withdrawal of deposit and suspension of further deposits, to protect our financial position. We will, from time to time, at our sole discretion, request that the deposits with CIMC Connected Persons be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of our deposits.

CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better to our Group that are fair and reasonable and in the interests of our Group and our Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONFIRMATION BY THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for such transactions are fair and reasonable and in the interests of our Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under the Procurement Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Guarantees Framework Agreement for the term ending December 31, 2021, and in respect of the transaction under the Deposit Service Framework Agreement for a period from the Listing Date up to the earlier of (a) one year after the Listing Date or (b) the first annual general meeting of the Company after the Listing, subject to the condition that the total amount of transactions for each of the three years ending December 31, 2021 (and in respect of the Deposit Service Framework Agreement, the total amount of transaction for the two years ending December 31, 2020) shall not exceed the proposed caps as set out in this section.

The independent non-executive Directors and auditors of our Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant framework agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

The waiver granted by the Stock Exchange for the non-exempt continuing connected transactions under Deposit Service Framework Agreement will be for a period from the Listing Date up to the first annual general meeting of our Company after the Listing, which will be held in 2019. We will re-comply with the requirements under Chapter 14A of the Listing Rules after the expiry of the waiver.

OVERVIEW

Upon Listing, our Board will consist of nine Directors, including one executive Director, five non-executive Directors and three independent non-executive Directors. Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. All of our Directors, Supervisors and senior management meet the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

BOARD OF DIRECTORS

The following tables set forth information regarding our Directors:

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Principal roles and responsibilities
Mr. Mai Boliang (麥伯良)	60	Chairman of the Board and non-executive Director	August 29, 1996	August 1996	Being in charge of the overall affairs of our Board
Mr. Li Guiping (李貴平)	54	Executive Director, chief executive officer and president	January 8, 2018	April 2003	Responsible for our Group's strategies, and making major decisions
Ms. Zeng Beihua (曾北華)	64	Non-executive Director	May 23, 2014	March 2003	Participating in the formulation of business plans, strategies and major decisions of our Group through our Board
Mr. Wang Yu (王宇)	47	Non-executive Director	November 24, 2014	November 2014	Participating in the formulation of business plans, strategies and major decisions of our Group through our Board
Mr. Liu Dong (劉東)	54	Non-executive Director	December 7, 2018	December 2018	Participating in the formulation of business plans, strategies and major decisions of our Group through our Board

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Principal roles and responsibilities
Mr. Chen Bo (陳波) . . .	55	Non-executive Director	December 7, 2018	December 2018	Participating in the formulation of business plans, strategies and major decisions of our Group through our Board
Mr. Feng Jinhua (豐金華)	63	Independent non-executive Director	June 26, 2019	December 2017 *(Note)*	Providing independent opinion and judgment to the Board
Mr. Fan Zhaoping (范肇平)	65	Independent non-executive Director	June 26, 2019	December 2017 *(Note)*	Providing independent opinion and judgment to the Board
Mr. Cheng Hok Kai Frederick (鄭學啟) . .	55	Independent non-executive Director	June 26, 2019	June 26, 2019	Providing independent opinion and judgment to the Board

Note: These individuals were appointed as non-executive Directors on December 10, 2017 and ceased to serve such positions on October 10, 2018. They have been serving as independent non-executive Directors since June 26, 2019.

Executive Director

Mr. Li Guiping (李貴平) is our executive Director, chief executive officer and president of our Company. Prior to joining our Group, Mr. Li held various positions in CIMC from 1987 to 2009, including a director of various operation and production departments from June 1987 to October 1989, an assistant manager of airport equipment department from October 1989 to August 1991, and a deputy manager and the deputy general manager of container operation department from February 1993 to April 2009.

Mr. Li joined our Group in April 2003 and has served in various management positions including directorship of our certain subsidiaries, associates and/or portfolio companies. He served as the deputy general manager of our Company from April 2003 to March 2010, the general manager from March 2010 to January 2018 and the chief executive officer, the president and our Director since January 2018. In addition to his positions within our Group, Mr. Li also currently serves as a director of Longyuan Investment.

Mr. Li obtained a bachelor's degree in engineering with a major in industrial management engineering from the college of management of Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1986 and a master's degree in science from Southern Connecticut State University in the United States in May 1993. Mr. Li obtained the qualification of senior economist from the Department of Human Resources of Guangdong Province (廣東省人事廳) in January 2000. In November 2014, Mr. Li completed the Berkeley Institute on Higher Education Program for Executives from Chinese State Enterprises in the Center for Studies in Higher Education, University of California, Berkeley, the United States.

Mr. Li has been serving as the chairman of the China Association of Automobile Manufactures, Special Vehicle Branch (中國汽車工業協會專用車分會) since 2012, an adjunct professor of Jiangsu University (江蘇大學) since October 2016, a visiting professor of Shenzhen University (深圳大學) since June 2017 and a director of Federation of Shenzhen Commerce (深圳市深商總會) since July 2018.

Non-executive Directors

Mr. Mai Boliang (麥伯良) is the chairman of our Board and our non-executive Director. Prior to joining our Group, Mr. Mai has been serving in various positions and directorship in CIMC and its subsidiaries, associates and/or portfolio companies since 1982, including the president of CIMC since March 1994 and the chief executive officer and an executive director of CIMC since August 2015.

In August 1996, Mr. Mai joined our Company as our Director and currently serves as the chairman of our Board and our non-executive Director.

Mr. Mai obtained a bachelor's degree in engineering from the department of mechanical engineering of South China University of Technology (華南理工大學) in the PRC in July 1982. He is currently the chairman of China Container Industry Association (中國集裝箱行業協會).

Ms. Zeng Beihua (曾北華) is our non-executive Director. Ms. Zeng joined our Company in March 2003 and served as the deputy general manager of our Company until March 2010. Prior to joining our Group, Ms. Zeng served consecutively as a director and a general manager of financial management department of CIMC from April 1989 to March 2001. She later joined CIMC Capital Ltd. (中集融資租賃有限公司) and served consecutively as the general manager and a director from January 2007 to August 2012. From March 2010 to August 2012, she was also the general manager and a director of CIMC Financial Institution. From 2010 to 2014, she was the general manager of capital management department of CIMC.

In May 2014, Ms. Zeng was appointed as our Director. Ms. Zeng currently holds directorship in CIMC's certain subsidiaries, associates and/or portfolio companies. In addition, she also currently serves as a director of Yuanshui Capital Investment (Shenzhen) Co., Ltd (原水資本投資(深圳)有限公司), a director of Shanghai Shengxin Investment Management Co., Ltd. (上海晟歆投資管理有限公司) and a director of Vanguard Trailer Rental.

Ms. Zeng obtained a diploma in industrial accounting from Wuhan University (武漢大學) in the PRC in July 1983 and a postgraduate diploma in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1997. She also obtained a diploma in management program from China Europe International Business School (中歐國際工商學院) in the PRC in November 2002. In February 1993, Ms. Zeng obtained the qualification of accountant awarded by China Merchants Shekou Industrial Zone (招商局蛇口工業區) and authorized by the Ministry of Transport of the PRC.

Mr. Wang Yu (王宇) is our non-executive Director. Mr. Wang joined our Group in November 2014 and has served as a non-executive Director of our Company since then. Prior to joining our Group, Mr. Wang worked for International Data Group (China) as the legal counsel from January 2001 to December 2002. Since 2003, Mr. Wang served as the general manager of legal department of CIMC. He is currently a director of certain subsidiaries, associates and/or portfolio companies of CIMC, including a director of CIMC-TianDa Holdings (Shenzhen) Company Limited (中集天達控股(深圳)有限公司), a non-executive director of CIMC Enric Holdings Limited (中集安瑞科控股有限公司, a company listed on the Stock Exchange (stock code: 03899)), a director and the general manager of Shenzhen Qianhai CIMC Qigu Investment Co., Ltd. (深圳前海中集麒谷投資有限公司), a director of Sinopacific Offshore & Engineering Co., Ltd. (南通中集太平洋海洋工程有限公司) and a director of Shenzhen Sky Capital Co., Ltd. (深圳天億投資有限公司).

Mr. Wang obtained a bachelor's degree in transportation management from Dalian Maritime University (大連海事大學, formerly known as Dalian Maritime College (大連海運學院)) in the PRC in July 1993 and a master's degree in law from Dalian Maritime University (大連海事大學) in the PRC in June 1996. Mr. Wang obtained lawyer's qualification certificate from the Ministry of Justice of the PRC in July 1996. Mr. Wang is currently an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會).

Mr. Liu Dong (劉東) is our non-executive Director. Prior to joining our Group, Mr. Liu served as the consultant, a member of Young Professional Scheme, the economist, the investment officer, the senior investment officer, the chief investment officer, and the manager of Beijing office of the Bureau of East Asian and Pacific, International Finance Corporation (國際金融公司) consecutively from September 1993 to September 2007. Mr. Liu served as the senior vice president of Government of Singapore Investment Corporation (新加坡政府投資有限公司) from September 2007 to October 2014 and as a director of YUNDA Holding Co., Ltd. (韻達控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002120)) from January 2017 to June 2017.

Mr. Liu has been serving as our non-executive Director since December 7, 2018. Mr. Liu also serves as a director of Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600315)) and Autohome Inc. (a company listed on the New York Stock Exchange (stock code: ATHM)), a director of Ping An Capital Co., Ltd. (平安資本有限責任公司), an executive director of Shanghai Jinyao Investment Management Co., Ltd. (上海金藥投資管理有限公司), a director of Fullerton Healthcare Corporation Limited, a director of Sino-Singapore Connectivity Private Equity Fund Management Co., Ltd. (中新互聯互通投資基金管理有限公司), a director of Shanghai Zhong Ping Guoyu Asset Management Co., Ltd. (上海中平國瑀資產管理有限公司) and a director of Shanghai Zhongwei Anjian Venture Capital Management Co., Ltd. (上海中衛安健創業投資管理有限公司). Mr. Liu has also been serving as the deputy general manager of Ping An Trust Co., Ltd. (平安信託有限責任公司) since November 2014.

Mr. Liu obtained a bachelor's degree in naval architecture and ocean engineering in July 1986 and a master's degree in ship structure mechanics in January 1989 from Shanghai Jiao Tong University (上海交通大學) in the PRC, and obtained a doctoral degree from the Wharton School of the University of Pennsylvania (賓夕法尼亞大學沃頓商學院) in the United States in August 1993.

Mr. Chen Bo (陳波) is our non-executive Director. Prior to joining our Group, Mr. Chen served as an assistant general manager of Shenzhen Chiwan Freight Co., Ltd. (深圳赤灣貨運有限公司) from June 1992 to April 1994, the general manager of Shenzhen Chiwan Oriental Logistics Co., Ltd. (深圳市赤灣東方物流有限公司) from September 2009 to August 2015 and an assistant general manager of China Nanshan Development (Group) Incorporation (中國南山開發(集團)股份有限公司) from April 2014 to April 2017.

Mr. Chen has been serving as our non-executive Director since December 7, 2018. In addition, Mr. Chen has been serving as the chairman of Shenzhen Chiwan Oriental Logistics Co., Ltd. since May 2015 and the deputy general manager of China Nanshan Development (Group) Incorporation since April 2017. Mr. Chen currently also serves as a director of Shenzhen New Nanshan Holding (Group) Co., Ltd. (深圳新南山控股(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002314)), a director of Shenzhen Chiwan Oriental Supply Chain Management Co., Ltd. (深圳市赤灣東方供應鏈管理有限公司) and a director of Chongqing Chiwan Oriental Supply Chain Management Co., Ltd. (重慶市赤灣東方供應鏈管理有限公司).

Mr. Chen obtained a bachelor's degree in road transport management from Xi'an Highway Institute (西安公路學院) (currently known as Chang'an University (長安大學)) in the PRC in July 1984. Mr. Chen also has various professional affiliations, including the president of Shenzhen Container Trailer Association (深圳市集裝箱拖車運輸協會) from 2000 to 2006, the vice president of Guangdong Road Transport Association (廣東省道路運輸協會) since 2008, and the chief supervisor of Guangdong Inter-Provincial Transportation Service Association (廣東省城際運輸服務協會) since 2016.

Independent non-executive Directors

Mr. Feng Jinhua (豐金華) is our independent non-executive Director. Mr. Feng has substantial working and management experience in the general transportation, shipping and logistics industry and well recognized qualifications in the transportation industry. Prior to joining our Group, Mr. Feng served consecutively as a deputy chief (副科長), a chief (科長), a deputy director (副處長) and a director (處長) of finance branch, the deputy chief accountant and the chief accountant of, Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸公司) from August 1980 to October 2001, the general manager of finance department of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司) from January 2006 to January 2012, the chief financial officer of China COSCO Holdings Co., Ltd. (中國遠洋控股股份有限公司) from January 2012 to November 2013, an executive director of COSCO Pacific Co., Ltd. (中遠太平洋有限公司) from October 2010 to October 2015, the deputy managing director of COSCO Pacific Co., Ltd. (中遠太平洋有限公司) from October 2013 to October 2015 and the chief financial officer of COSCO (Hong Kong) Group Co., Ltd. (中遠(香港)集團有限公司) from September 2015 to June 2016. Mr. Feng was appointed as our non-executive Director on December 10, 2017 and resigned from such position on October 10, 2018, during the period of which Mr. Feng participated in the decision-making of our Company in his capacity as a member of our Board, but he was not involved in the daily management and operations of our Company and had no executive functions over our Company. He has been serving as an independent non-executive Director since June 26, 2019.

Mr. Feng graduated from Qingdao Ocean Shipping Mariners College (青島遠洋船員學院) in the PRC in July 1986 with a major in finance and accounting and obtained an EMBA degree from the Business School of the University of International Business and Economics (對外經濟貿易大學)

in the PRC in December 2006. In September 2005, Mr. Feng obtained the qualification of senior accountant awarded by China Road and Bridge Corporation (中國路橋(集團)總公司). In April 2006, Mr. Feng was awarded the title of the excellent accountant in transportation industry by China Communications Accounting Society (中國交通會計學會), and was awarded the title of the outstanding information application promoter by National Information Evaluation Center (國家信息化測評中心) in February 2007.

Mr. Fan Zhaoping (范肇平) is our independent non-executive Director. Mr. Fan has substantial working and management experience in the road transportation and logistics industry. Prior to joining our Company, Mr. Fan served as an assistant manager of finance department, a manager, a supervisor, a director and the chairman of Shenzhen Chiwan Petroleum Supply Base Co., Ltd. (深圳赤灣石油基地股份有限公司) consecutively from 1988 to 2016, a manager of finance department, a manager of financial investment department, an assistant general manager and the deputy general manager of China Nanshan Development (Group) Incorporation (中國南山開發(集團)股份有限公司) consecutively from 1991 to 2014, the vice chairman and the chairman of the executive committee of Shenzhen Chiwan Sembawang Engineering Co. Ltd. (深圳赤灣勝寶旺海洋工程有限公司) from 2012 to 2018, and the external supervisor of Sinotrans Limited (中國外運股份有限公司), a company listed on the Stock Exchange (stock code: 148) and a leading integrated logistics service provider in the PRC, since June 2018. Mr. Fan was appointed as our non-executive Director on December 10, 2017 and resigned from such position on October 10, 2018, during the period of which Mr. Fan participated in the decision-making of our Company in his capacity as a member of our Board, but he was not involved in the daily management and operations of our Company and had no executive functions over our Company. He has been serving as our independent non-executive Director since June 26, 2019.

Mr. Fan obtained a bachelor's degree in accounting from Central University of Finance and Economics (中央財經大學) in the PRC in July 1982 and a master's degree in financial accounting from Research Institute of Financial Science of the MOF (財政部財政科學研究所) in September 1986. In December 1987, Mr. Fan obtained the qualification of assistant researcher from the MOF.

Mr. Cheng Hok Kai Frederick (鄭學啟) is an independent non-executive Director of our Company. Prior to joining our Company, Mr. Cheng served as the audit assistant and senior accountant of Price Waterhouse (currently known as PricewaterhouseCoopers) consecutively from November 1985 to August 1988, primarily responsible for audit assignments for various companies; the finance director of Asia Pacific and Japan of LSI Logic Hong Kong Limited from July 1997 to August 2004, primarily responsible for finance and accounting function for the operation in Asia Pacific and Japan; the finance director of Pacific Rim of Mentor Graphics Asia Pte Ltd. from August 2004 to April 2006, primarily responsible for the finance and accounting function of the operation in the Pacific Rim; the finance director for Asia Pacific region of the Autodesk Asia Pte Ltd. from April 2006 to June 2008, primarily responsible for finance and accounting function of the operation in Asia Pacific; and the chief financial officer, company secretary, managing director of corporate finance and investment and authorized representative of PuraPharm Corporation Limited (培力控股有限公司, a company listed on the Stock Exchange (stock code: 1498)) consecutively from April 2010 to January 2018. Mr. Cheng is currently an independent non-executive director, the chairman of the audit committee and a member of the nomination and remuneration committee in Luzhou Xinglu Water (Group) Co., Ltd. (瀘州市興瀘水務(集團)股份有限公司, a company listed on the Stock Exchange (stock code: 2281)), and an executive director in Sanai Health Industry Group Company Limited (三愛健康產業集團有限公司, a company listed on the Stock Exchange (stock code: 1889)).

Mr. Cheng obtained his bachelor's degree in finance and accounting from the University of Salford in the UK in July 1985, and his master's degree in accounting from the University of New South Wales in Australia in May 1992. Mr. Cheng was admitted as a certified practicing accountant of CPA Australia (formerly known as the Australian Society of Certified Practicing Accountants) and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 1992 and April 1992, respectively. Mr. Cheng became a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia in March 2003 and January 2004, respectively. Mr. Cheng was admitted as an associate member of the Institute of Chartered Secretaries and Administrators in April 1995 and a member of the Governance Institute of Australia (formerly known as Chartered Secretaries Australia) in December 1996. Mr. Cheng became a fellow member of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia in June 2012 and November 2013, respectively.

Save as disclosed above, (i) none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or elsewhere in the last three years immediately preceding the date of this prospectus; (ii) none of our Directors have any interest in any business which competes or is likely to compete, either directly or indirectly, with our Group's business; (iii) none of our Directors have any family relationship with any other Directors or senior management of the Company; and (iv) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BOARD OF SUPERVISORS

The following table sets forth certain information of our Supervisors:

Name	Age	Position	Date of appointment as Supervisor	Date of joining our Group	Principal roles and responsibilities
Mr. Liu Hongqing (劉洪慶)	55	Supervisor	October 28, 2014	April 2003	Supervising the operating and financial activities of our Group
Mr. Liu Zhenhuan (劉震環)	63	Supervisor	August 15, 2011	August 2011	Supervising the operating and financial activities of our Group
Mr. Li Xiaofu (李曉甫)	34	Supervisor	December 7, 2018	October 2013	Supervising the operating and financial activities of our Group

Mr. Liu Hongqing (劉洪慶) is an employee representative Supervisor of our Company. Prior to joining our Company, Mr. Liu served as a designer of Jiangsu Tongyun (Group) Jiangyang Automobile Factory (江蘇省通運集團江陽汽車廠) from July 1986 to November 1991, a director of engineering department and the chief engineer of Yangzhou Tonghua Special Vehicles Co., Ltd. (揚州通華專用車股份有限公司) from December 1991 to March 2003 and the chief engineer and deputy general manager of CIMC Yangzhou from April 2003 to April 2010.

Mr. Liu joined our Group in April 2003 and served as our Supervisor since then. Meanwhile, he has also been serving as the general manager of CIMC Yangzhou since May 2010 and the chairman of LAG Trailers since June 2016.

Mr. Liu obtained a bachelor's degree in automotive design and manufacturing from Jiangsu University (江蘇大學) in the PRC in July 1986 and obtained a postgraduate certificate in automotive design and manufacturing from Jiangsu University (江蘇大學) in the PRC in August 1999. In November 2013, Mr. Liu obtained the qualification of senior engineer at researcher level from the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳). He was awarded the title of the Outstanding Entrepreneurs of the Machinery Industry in Jiangsu Province (the Third Session) (第三屆江蘇省機械行業優秀企業家) by Jiangsu Provincial Association of Machinery Industry (江蘇省機械行業協會) in May 2018.

Mr. Liu also holds various professional positions, including a director of the China Association for Standardization, Automobile Branch (中國標準化協會汽車分會) since October 2014, a standing director of China Association of Automobile Manufacturers (中國汽車工業協會) since April 2017, an executive director of the Society of Automotive Engineers of Jiang Su (江蘇省汽車工程學會) for a term commencing from October 2017 and ending in October 2022 and an adjunct master tutor of Yangzhou University (揚州大學) since May 2012.

Mr. Liu Zhenhuan (劉震環) is a shareholder representative Supervisor of our Company. Prior to joining our Group, Mr. Liu served as a director and the deputy general manager of China Merchants Hainan Development Co., Ltd. (招商局海南發展總公司) from December 1994 to August 1995, a director of China Merchants International Travel Company (中國招商國際旅遊總公司) from August 1995 to December 1997, the chief accountant of China Ocean Shipping Agency (also known as Penavico) (中國外輪代理總公司) from January 1998 to December 2000, the deputy general manager of COSCO Group Investment Co., Ltd. (中遠集團投資有限公司) from January 2001 to November 2002 and the financial general manager of China COSCO Shipping (West Asia) Co., Ltd. (中遠西亞公司) from December 2002 to November 2006.

Mr. Liu joined CIMC in February 2007 and served as an assistant to the general manager of the financial management department, the vice general manager and general manager of the audit and supervision department of CIMC until December 2017. He is currently the secretary of the disciplinary and inspection commission of CIMC and a member of the executive committee of CIMC.

Mr. Liu has been our Supervisor since August 2011, and was appointed as the chairman of the Supervisory Committee of our Company on October 10, 2018.

Mr. Liu obtained a bachelor's degree in shipping transportation financial accounting from Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College (上海海運學院)) in the PRC in July 1987.

Mr. Liu obtained the qualification of senior auditor from the Ministry of Transport of the PRC (中華人民共和國交通部) in November 1994, the qualification of senior accountant from the Ministry of Transport of the PRC (中華人民共和國交通部) in October 1998, and obtained the qualification of CRMA (國際註冊風險管理確認師) from American Institute of Internal Auditors (美國內部審計師學會) in June 2012.

Mr. Liu also holds various professional positions, including a visiting professor of accounting of Shanghai Maritime University since September 1999, a member of the Internal Control Standards Committee of the MOF (財政部內控標準委員會) since November 2014, a deputy director of Transportation Branch of China Institute of Internal Audit (中國內部審計協會交通分會) and a vice president of Guangdong Enterprise Institute for Internal Controls (廣東省企業內部控制協會) and the chairman of its experts committee since December 2013. Mr. Liu was also awarded the title of outstanding internal control manager of listed companies in China (中國上市公司傑出內控經理) by China Internal Control Research Center (中國內部控制研究中心) in December 2013.

Mr. Li Xiaofu (李曉甫) is a shareholder representative Supervisor of our Company. Prior to joining our Group, Mr. Li served as an engineer of electrical control branch of high-tech department of GAC R&D Center (廣州汽車集團股份有限公司汽車工程研究院(廣汽研究院)).

Mr. Li joined our Group in October 2013 and served as a senior research and development engineer at our research and development center up to March 2015. Mr. Li subsequently served as a senior research and development engineer and project leader of our Light Tower project from March 2015 to September 2017, primarily responsible for "Light Tower" plant planning, application research on auto-manufacturing technology in semi-trailer manufacturing, leading the team, coordinating several cross-departmental and cross-enterprise upgrading projects of "Manufacturing Light-towerlization" in our Group. Mr. Li subsequently served as an office director of our technology office from September 2017 to July 2018, primarily responsible for assisting the chief technology officer in managing the chief technology office and structuring three-core working system, relevant designing and manufacturing for various product platforms, incubating and managing digital projects. Mr. Li has made outstanding contributions to our Group over the years and has been serving as the chief technology officer of our Group since July 2018, primarily responsible for the overall technology of our Group.

Mr. Li obtained a bachelor's degree in engineering with a major in ground weapon motor engineering (地面武器機動工程) from Beijing Institute of Technology (北京理工大學) in the PRC in July 2006. He also obtained a doctor's degree in engineering with a major in vehicle engineering (車輛工程) from South China University of Technology (華南理工大學) in the PRC in December 2012.

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management:

Name	Age	Position	Date of appointment as senior management	Date of joining our Group	Principal roles and responsibilities
Mr. Li Guiping (李貴平)	54	Executive Director, chief executive officer and president	April 21, 2003	April 2003	Responsible for developing our Group's operation strategies, and making major operation decisions
Mr. Sun Chunan (孫春安)	49	Executive vice president and chief operation officer (Inland)	October 8, 2010	April 2002	Responsible for overall business development of China market
Mr. Ye Jianfeng (葉劍峰)	45	Executive vice president and chief operation officer (Overseas)	July 1, 2010	November 2004	Responsible for overall business development of overseas market
Mr. Ji Haifeng (紀海峰)	50	Executive vice president and chief financial officer	February 15, 2019	February 2019	Responsible for our Group's overall financial management
Ms. Li Zhimin (李志敏)	49	Vice president and Board secretary	October 30, 2008	April 2005	Assisting in managing the daily operation of our Group, presiding over daily management of our Shareholders' meeting and the Board
Mr. Luo Peng (駱鵬).	41	Financial director	August 3, 2012	July 2004	Responsible for our Group's financial planning

Mr. Li Guiping (李貴平) is an executive Director, chief executive officer and president of our Company. See "–Board of Directors" in this section for the biographical details of Mr. Li.

Mr. Sun Chunan (孫春安) is an executive vice president and the chief operation officer of our Company responsible for our PRC market. Mr. Sun served as the director of Guangzhou office of Yangzhou Tonghua Special Vehicles Co., Ltd. (揚州通華專用車股份有限公司) from 1996 to 2001 and then the deputy manager of sales department of southern China of our Company from 2002 to 2004. He subsequently served as the deputy general manager of CIMC Shenzhen from 2005 to 2010. Since October 2010, Mr. Sun has served as the general manager of the sales center for southeast China area.

Mr. Sun obtained a bachelor's degree in bioengineering from Jiangnan University (江南大學) (formerly named Wuxi Institute of Light Industry) (無錫輕工業學院) in the PRC in June 1991. Mr. Sun obtained the qualification of assistant engineer (助理工程師) in November 1992 from Yangzhou Sanhe Pickles Co., Ltd. In June 2010, Mr. Sun completed a voyage program organized by CIMC.

Mr. Ye Jianfeng (葉劍峰) is an executive vice president and the chief operation officer of our Company responsible for our overseas markets. Prior to joining our Group, Mr. Ye served as the quality control supervisor of CIMC South Container Manufacturing Co., Ltd. (南方中集集裝箱製造有限公司) from June to November 2004.

He joined our Group in November 2004 and since then consecutively served as the assistant manager of sales management department, the manager of new business development department, the assistant to general manager of our Company and the director of global business development.

Mr. Ye graduated from Shenzhen University (深圳大學) in the PRC, majoring in English, in June 1993 and obtained a master's degree in business administration from the University of Ballarat in Australia in August 2004.

Mr. Ji Haifeng (紀海峰) is the executive vice president and chief financial officer of our Company. Prior to joining our Group, he worked in Motorola, Inc. (a company listed on the New York Stock Exchange (stock code: MSI)) since February 1998; and in HP Inc. (formerly known as Hewlett-Packard Company, a company listed on the New York Stock Exchange (stock code: HPQ)) from January 2007 to October 2015. Mr. Ji then joined the international business department of Midea Group Co., Ltd. (美的集團股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 000333)) and served as the financial budget director from October 2015 to July 2017. From July 2017 to June 2018, he served as the chief financial officer at Toshiba Lifestyle Products and Services Corporation. Mr. Ji re-joined Midea Group Co., Ltd. afterwards and worked as the finance director at the international business department from June 2018 to February 2019. From April 2017 to September 2017, he served as a non-executive director of MISR Refrigeration and Air Conditioning Mfg. Co. S.A.E (which was listed on the Egyptian Stock Exchange (stock code: MRCO.CA) and delisted in July 2018).

Since February 2019, Mr. Ji has been serving as the executive vice president and chief financial officer of the Company.

Mr. Ji obtained a bachelor's degree in radio engineering from the University of Science and Technology of China (中國科學技術大學) in July 1990. He obtained a master's degree in computer engineering from the University of Missouri in December 1997 and a master's degree in business administration from the Graduate School of Business of the University of Chicago in December 2003. Mr. Ji was accredited as a Chartered Financial Analyst by the CFA Institute in September 2006.

Ms. Li Zhimin (李志敏) is the vice president of our Company and the secretary of the Board. Ms. Li worked with Tianqin Accounting Firm (天勤會計師事務所) from July 2000 to November 2001; and as the manager of audit department of Tianjian Xinde Accounting Firm (天健信德會計師事務所) from October 2001 to April 2005.

Since April 2005, Ms. Li joined our Group and held various positions such as the finance manager, the head of finance department of our Company, the assistant to general manager of our Company and the deputy general manager.

Ms. Li graduated from school of management science and engineering from Wuhan University of Technology (武漢工業大學) in the PRC with a major in industrial management engineering in June 1991. Ms. Li obtained the qualification of accountant from the MOF in May 1997 and the qualification of certified public accountant from Hubei Institute of Certified Public Accountants on September 5, 1997.

Mr. Luo Peng (駱鵬) is the financial director of our Company. From July 2004 to August 2006, Mr. Luo served as the accounting manager of our Company. From August 2006 to April 2009, he served as the financial manager of Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. (張家港中集聖達因低溫裝備有限公司).

In May 2009, Mr. Luo re-joined our Group and served as the deputy manager of financial management department, the manager of accounting department and the financial director of our Company.

Mr. Luo graduated from Xi'an Jiaotong University (西安交通大學) in the PRC with a major in accounting in July 1999 and obtained a master's degree in management in June 2004 from the same university. Mr. Luo obtained the qualification of certified tax agent from the China Certified Tax Agents Association in June 2002 and the qualification of certified public accountant from the Chinese Institute of Certified Public Accountants in April 2003.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Supervisors that need to be brought to the attention of our Shareholders and there was no information relating to our Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

KINSHIP

There is no family or blood relationship among any of our Directors, Supervisors and senior management of our Company.

JOINT COMPANY SECRETARIES

Ms. Li Zhimin (**李志敏**) is the secretary of our Board and was appointed as the joint company secretary of our Company on November 30, 2018 with her appointment taking effect on the Listing Date. See "–Senior Management" above for the biographical details of Ms. Li.

Ms. Ko Mei Ying (**高美英**) is the joint company secretary of our Company and was appointed on November 30, 2018 with her appointment taking effect on the Listing Date. Ms. Ko is a manager of SWCS Corporate Services Group (Hong Kong) Limited with more than 10 years of experience in accounting, auditing and corporate secretarial services.

Ms. Ko obtained a bachelor's degree of commerce in accounting from Macquarie University, Australia and a master's degree in professional accounting and corporate governance from City University of Hong Kong. Ms. Ko is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and a Certified Practicing Accountant of CPA Australia.

BOARD COMMITTEES

Our Company has established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Investment Committee.

Audit Committee

The Audit Committee consists of three members, namely, Mr. Cheng Hok Kai Frederick, Mr. Feng Jinhua and Mr. Fan Zhaoping. Mr. Cheng Hok Kai Frederick is the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and supervise our financial reporting process, including:

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

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

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

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

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

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

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

Remuneration Committee

The Remuneration Committee of our Company consists of three Directors, namely, Mr. Fan Zhaoping, Ms. Zeng Beihua and Mr. Feng Jinhua. Mr. Fan Zhaoping is the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee include:

(a) to make recommendations to our Board on our Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;

(b) to review and approve the remuneration proposals of senior management with reference to our Board's corporate goals and objectives;

(c) to make recommendations to our Board on the remuneration packages of our executive Director and senior management or to determine, with delegated responsibility, the remuneration packages of our executive Director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);

(d) to make recommendations to our Board on the remuneration of our non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;

(f) to review and approve the compensation payable to our executive Director and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

(g) to review and approve the compensation arrangements relating to dismissal or removal of our Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Nomination Committee

The Nomination Committee consists of three members, namely, Mr. Mai Boliang, Mr. Feng Jinhua and Mr. Fan Zhaoping. Mr. Mai Boliang is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

(a) to review the structure, size and composition of our Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to our Board to complement our Company's corporate strategy;

(b) to identify individuals suitably qualified to become board members and make recommendations to our Board on the selection of individuals nominated for directorships;

(c) to assess the independence of our independent non-executive Directors; and

(d) to make recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for Directors (in particular the chairman and the chief executive officer).

Strategy and Investment Committee

The Strategy and Investment Committee consists of four members, namely, Mr. Liu Dong, Mr. Wang Yu, Ms. Zeng Beihua and Mr. Fan Zhaoping. Mr. Liu Dong is the chairman of the Strategy and Investment Committee. The primary responsibilities of the Strategy and Investment Committee include:

(a) to conduct research and make recommendations for the long-term strategic development plans of our Company;

(b) to conduct research and make recommendations for major investment plans which are subject to the approval of our Board;

(c) to conduct research and make recommendations for major capital operation and asset operation projects which are subject to the approval of our Board;

(d) to review the annual investment plan of our Company;

(e) to conduct research and make recommendations for major investment programs which are subject to the approval of our Board; and

(f) other duties as conferred by our Board.

REMUNERATION OF DIRECTORS AND SUPERVISORS

During the Track Record Period, all our Directors, Supervisors and senior management of our Company received their emoluments from our Company.

For each of the years ended December 31, 2016 and 2017 and 2018, the aggregate remuneration (including fees, salaries, discretionary bonus, pension schemes contribution and other benefits) paid to the Directors and the Supervisors were approximately RMB6.1 million, RMB8.6 million and RMB11.0 million, respectively.

For each of the years ended December 31, 2016 and 2017 and 2018, the aggregate amount of fees, salaries, allowances, discretionary bonus, benefit schemes contributions and other benefits in kind (if applicable) received by the five highest-paid individuals of our Group (who are neither our Directors nor Supervisors) were approximately RMB16,474,000, RMB20,863,000 and RMB18,342,000 respectively.

During the Track Record Period, there was no remuneration paid or payable by us to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by us to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payment paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the Remuneration Committee will consider various factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors, Supervisors and the senior management (as the case may be), in assessing the amount of remuneration payable to our Directors, Supervisors and such employees. It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any discretionary bonus) in an amount of approximately RMB2.6 million will be payable by our Company to our Directors and Supervisors for the year ended December 31, 2019.

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the principal business operations of our Group are primarily conducted in the PRC (and in any case, outside of Hong Kong), members of our senior management are, and are expected to continue to be, based in the PRC. Further, as Mr. Li Guiping, our executive Director, has a vital role in our Group's operations, it is crucial for him to remain in close proximity to our Group's central management located in the PRC. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. For further details, see " Waivers from Compliance with the Listing Rules–Waiver in Respect of Management Presence in Hong Kong" in this document.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguarding the interests of our Shareholders. To accomplish this, we intend to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules after the Listing.

COMPLIANCE ADVISOR

We have appointed Haitong International Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our Compliance Advisor on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues or share repurchases;

(iii) where our Company intends to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus, or where the business activities, developments or results of operations of our Group deviate from any forecast, estimate or other data in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our H Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, our Compliance Advisor will, in a timely manner, inform us of any amendments or supplements to the Listing Rules that are announced by the Stock Exchange. Our Compliance Advisor will also inform us of any amendment or supplement to applicable laws and guidelines. The term of the appointment of our Compliance Advisor shall commence on the Listing Date and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

OVERVIEW

As of the Latest Practicable Date, CIMC was interested in approximately 63.33% of our total share capital and was therefore our Controlling Shareholder. CIMC Hong Kong, a wholly owned subsidiary of CIMC and through which CIMC holds our H Shares, is also deemed to be our Controlling Shareholder. Immediately following the completion of the Global Offering, CIMC and CIMC Hong Kong, collectively, will be interested in approximately 53.82% of our total share capital (assuming the Over-allotment Option is not exercised) or approximately 52.64% of our total share capital (assuming the Over-allotment Option is exercised in full).

CIMC is a leading equipment and solution provider in the logistics and energy industries in the PRC. CIMC has been listed on the Shenzhen Stock Exchange since 1994 and the Main Board of the Stock Exchange since 2012. CIMC Enric Holdings Limited (中集安瑞科控股有限公司) and CIMC-TianDa Holdings Company Limited (中集天達控股有限公司), both being subsidiaries of CIMC, are also listed on the Main Board of the Stock Exchange.

DELINEATION OF OUR BUSINESS

Principal business of CIMC Group

CIMC Group is principally engaged in the following businesses:

Principal Business	Summary
Container manufacturing . . .	CIMC Group's container manufacturing business mainly involves standard dry containers, refrigerated containers and special refrigerated containers. CIMC Group has the capacity to produce a full series of container products with independent intellectual property rights.
Energy, chemical and liquid food equipment	CIMC Group is principally engaged in the design, development, manufacturing, engineering and sale of various transportation, storage and processing equipment widely used in three sectors, namely energy, chemical and liquid food equipment, as well as provision of relevant technical and maintenance services.
Offshore engineering	The principal business of the offshore engineering business of CIMC Group includes the design and construction of semi-submersible drilling platforms, semi-submersible accommodation platforms, jack-up drilling platforms, jack-up accommodation platforms, gas compression jack-up units, liftboats, floating production storage vessels, crane vessels, pipe-laying vessels, offshore support vessels, ocean tugs, mid-to-high-end yachts and other vessels with its products covering a majority of offshore engineering products.

Principal Business	Summary
Logistics services	The logistics service business of CIMC Group comprises primarily of five major business directions, namely container service, marine transport service and project logistics, multimodal transport, equipment logistics and contract logistics.
Heavy truck business	CIMC Group operates the heavy truck business through its subsidiary C&C Trucks Co., Ltd. (集瑞聯合重工有限公司) (the "Heavy Truck Business"). See " –Delineation of our business from the Heavy Truck Business" in this section for further details.
Airport facilities equipment business	The airport facilities equipment business of CIMC Group principally includes boarding bridge and peripheral business, ground support equipment business, fire and rescue vehicle business, automated logistics systems and smart parking business (the "Airport Facilities Equipment Business").
Industrial city development business	The main operations of CIMC Group's industrial city development business include the development of complexes in industrial cities, development and operation of industrial parks and traditional real estate development.
Financial business	CIMC Group's financial business is devoted to establishing a financial service system which matches CIMC Group's strategic role as a global leading manufacturer, to enhance the efficiency and effectiveness of CIMC Group's internal capital utilization, and to provide various financial measures for CIMC Group's strategy extension, business model innovation, industrial structure optimization and overall competitiveness enhancement.

There is a clear delineation between our businesses and those of CIMC Group in terms of business focus and operational model. Our Directors (including our independent non-executive Directors) do not believe that any direct or indirect competition is or is likely to be material in nature.

Delineation of our business from the Airport Facilities Equipment Business

On the basis that the nature of business of our Group and the products offered by us are distinct from those of the Airport Facilities Equipment Business of CIMC Group and, in particular, we do not, and will not, manufacture fire and rescue vehicles, our business is clearly delineated from the Airport Facilities Equipment Business of CIMC Group.

Delineation of our business from the Heavy Truck Business

Business focus and key products

We primarily manufacture and sell semi-trailers. A typical semi-trailer produced by us is mainly used to transport goods and materials, which is an unpowered trailer without a front axle and towed by a powered vehicle, known as a tractor unit. In addition, we manufacture truck bodies for specialty vehicles and typically sell such products by installing a truck body onto a truck chassis to form a specialty vehicle. We have not, and will not, manufacture tractor units or truck chassis.

The Heavy Truck Business of CIMC Group, on the other hand, primarily manufactures tractor units, truck chassis and related components and parts (primarily engines). It is not engaged in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles.

Generally, the manufacturing of semi-trailers/truck bodies is separate from that of tractor units/truck chassis, and semi-trailers/truck bodies and tractor units/truck chassis are manufactured by semi-trailers/truck bodies manufacturers (such as our Group) and truck manufacturers (such as the Heavy Truck Business of CIMC Group), respectively. Nevertheless, after the truck bodies and truck chassis are produced by our Group or the Heavy Truck Business of CIMC Group, if specifically requested by the customers, we may purchase truck chassis, and the Heavy Truck Business of CIMC Group may purchase truck bodies, to form fully-assembled specialty vehicles and sell such fully-assembled specialty vehicles to the customers of our Group and the Heavy Truck Business of CIMC Group, respectively.

There is no customer solicitation or referral arrangement between our Group and the Heavy Truck Business of CIMC Group. Typically, end users of the Heavy Truck Business of CIMC Group are free to choose the truck bodies while our end users are also free to choose the truck chassis, and our Group and the Heavy Truck Business of CIMC Group may serve as each other's suppliers or customers.

During the Track Record Period, our Group and the Heavy Truck Business of CIMC Group did not overlap over the sales of fully-assembled specialty vehicles except for mixer trucks and dump trucks. For dump trucks, we only manufacture dump beds for dump trucks, and the Heavy Truck Business of CIMC Group only manufactures truck chassis for dump trucks. For mixer trucks, we only manufacture mixers for mixer trucks, and the Heavy Truck Business of CIMC Group only manufactures truck chassis for mixer trucks. For illustration purpose only and based on the relevant unaudited management accounts, during the three years ended December 31, 2018: (i) our Group generated approximately RMB976.0 million, RMB2,138.9 million and RMB3,581.4 million from selling fully-assembled mixer trucks, representing approximately 6.7%, 11.0% and 14.8% of our revenue for the relevant years, and generated RMB75.5 million, RMB26.3 million and RMB6.7 million from selling fully-assembled dump trucks, representing approximately 0.5%, 0.1% and 0.03% of our revenue for the relevant years; and (ii) the Heavy Truck Business of CIMC Group generated RMB38.8 million, RMB78.0 million and RMB114.7 million from selling fully-assembled mixer trucks, representing approximately 2.3%, 3.2% and 5.1% of the revenue of the Heavy Truck Business for the relevant years, and generated RMB167.8 million, RMB522.1 million and RMB428.9 million from selling fully-assembled dump trucks, representing approximately 9.9%, 21.2% and 19.0% of the revenue of the Heavy Truck Business for the relevant years.

As such, our Directors are of the view that our business is clearly delineated from the Heavy Truck Business of CIMC Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from CIMC Group after the Listing.

Management Independence

The Board is comprised of one executive Director and eight non-executive Directors (including our independent non-executive Directors). We believe that our Directors, Supervisors and senior management can independently perform their duties in our Company and we can operate independently from CIMC Group for the following reasons:

- There will not be any overlapping executive Director on our Board and the board of director of CIMC, and in particular, our executive Director, being Mr. Li Guiping, does not and will not hold any executive or management position with CIMC after the Listing;

- Mr. Mai Boliang and Mr. Wang Yu, the Directors of our Company who hold management positions with CIMC, are non-executive Directors of our Company, who do not, and will not after the Listing, participate in the daily management of our Company;

- None of the independent non-executive Directors to be appointed by our Company will hold any position in CIMC Group;

- Save as disclosed above, as of the Latest Practicable Date, none of the senior management of our Company has any ongoing executive position with CIMC; and

- The decision-making mechanism of our Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interest, including but not limited to: (i) if the relevant proposal gives rise to any conflict of interest between us and CIMC, the Director(s) associated with CIMC should abstain from voting and should not be included in the quorum of the meeting of our Board, and the remaining Directors have sufficient relevant knowledge and experience to make decisions for us; and (ii) when connected transaction(s) between us and CIMC Group or its associates are under consideration, our independent non-executive Directors shall give their independent opinions to our Board and/or our Shareholders on such connected transaction(s) pursuant to the Listing Rules.

On the basis of the above, our Directors are of the view that our management is independent from CIMC Group.

Operational Independence

Although CIMC will retain a controlling interest in our Company upon Listing, we believe that we can operate our business independently from CIMC Group due to the following reasons:

- Our Group has been operating independently from CIMC Group and will continue to operate independently from CIMC Group. We have a sufficient level of operations, assets, facilities and employees to support our own listing status and to operate and function independently from CIMC Group;

- Our Company has its own organizational structure with self-governing departments, each with specific areas of responsibility. We have adopted a set of corporate governance measures and internal control procedures to facilitate the effective operation of our business;

- We maintain an independent financial system and has established our own finance department with a separate team of finance and accounting staff. In addition, we have our own internal accounting procedures and prepare our own financial budget independently; and

- Our Company has its own accounting department, global finance department, financing and cash management department, human resources and administration department, sales department, internal control department and technology department (including research and development function), which are under the leadership and supervision of our own senior management team. The senior management of our Company reports to our Board and makes decisions and forms business plan and strategies in sales, marketing, finance, technology, manufacturing, research and development and human resources management independently from CIMC Group.

We have entered into a number of continuing connected transactions with CIMC Group. Our Directors are of the view that the continuing connected transactions will not cause any business dependance or reliance issue between our Group and CIMC Group on the basis that the relevant transactions are carried out in the usual and ordinary course of business and do not have any material significance to our Group. See “Connected Transactions” for further details of, and the reasons for entering into, these continuing connected transactions.

Accordingly, our Directors believe that our Group and CIMC Group operate independently from each other.

Financial Independence

We believe that our Group will be financially independent from CIMC Group after the Listing for the following reasons:

- We have established our own accounting department, global finance department and financing and cash department with separate teams of finance and accounting staff, and are responsible for our financial management, accounting, reporting, funding and internal control functions independently from CIMC Group;
- We can make financial decisions independently, and CIMC Group does not interfere with our use of funds. We have also established an independent audit system, a standardized accounting system and a comprehensive financial management system;
- Our Group will have offers from independent financial institutions to provide financing facilities on a standalone basis without guarantee or other financial assistance from CIMC Group, if necessary or desirable. See "–Outstanding Related Loans" in this section for further details; and
- Our Group has a track record of obtaining funds on a standalone basis without credit support or guarantee from CIMC Group. See "–Outstanding Related Loans" in this section for further details.

Outstanding Related Loans

As of December 31, 2018, our Group had borrowings of approximately RMB2,291.2 million, out of which approximately RMB900.1 million was obtained from CIMC Group (the "Outstanding Related Loans"), accounting for approximately 39.3% of the total loans and notes of our Group. Our Group will repay in full the Outstanding Related Loans before the Listing.

Cash deposits

Furthermore, as of December 31, 2018, our Group had cash deposits with the non-bank financial institution within CIMC Group amounting to approximately RMB1.8 billion, and intends to continue to deposit with CIMC Group upon and after completion of the Listing. Such deposit arrangements will constitute continuing connected transactions of our Group. Such deposit arrangements do not affect the financial independence of our Group from CIMC Group, as deposits placed with CIMC Group do not amount to financial assistance provided by CIMC Group to our Group and have no material significance to our financial capability as a whole. See " Connected Transactions–Non-exempt Continuing Connected Transactions–4. Deposit Service Framework Agreement" for further details of the deposit arrangements.

Financial guarantees

During our ordinary course of business, our Group may, based on our credit assessment of the relevant customers, provide financial guarantees to the lenders (being the PRC commercial banks or other non-bank financial institutions (including the CIMC Financial Group)) for the benefit of, and to facilitate the financing to, such customers. The financial guarantees provided by our Group to the CIMC Financial Group, are on normal commercial terms and is a service offered by us to our customers to facilitate their purchase of products from our Group. The nature of the financial guarantees means that the customers (and not CIMC Group) are the primary beneficiaries of such arrangement as it would facilitate the obtaining of financing by such customers. Further, the provision of financial guarantees is not unique to our Group and is a common practice in the industry. In view of the nature of the financial guarantees as set out above, our Directors believe that these are not arrangements that should create any concerns on the financial dependance of our Group on CIMC Group. See "Connected Transactions–Non-exempt Continuing Connected Transactions–7. Financial Guarantees Framework Agreement" for further details of the financial guarantees.

Save as disclosed above, there are currently no other loans or other forms of financial assistance provided by CIMC Group to our Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this section or "Directors, Supervisors and Senior Management", none of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business under Rule 8.10(2) of the Listing Rules.

CONFIRMATION

Our Directors consider that we are capable of carrying on our business independent from CIMC Group and their close associates after the Listing without unduly relying upon them, taking into consideration the factors stated above.

OUR SHARE CAPITAL

As of the Latest Practicable Date, the registered share capital of our Company was RMB1,500,000,000, consisting of 1,201,080,000 Domestic Shares with a nominal value of RMB1.00 each and 298,920,000 Unlisted Foreign Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

Numbers of Shares	Description of Shares	Percentage of the total number of Shares
1,201,080,000	Domestic Shares	68.05%
298,920,000	H Shares to be converted from Unlisted Foreign Shares held by CIMC Hong Kong and Sumitomo Corporation[1]	16.94%
265,000,000	H Shares to be issued under the Global Offering	15.01%
1,765,000,000		100.00%

Note:

(1) A total of 298,920,000 H Shares will be converted at Listing from 284,985,000 Unlisted Foreign Shares held by CIMC Hong Kong and 13,935,000 Unlisted Foreign Shares held by Sumitomo Corporation as of the Latest Practicable Date.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

Numbers of Shares	Description of Shares	Percentage of the total number of Shares
1,201,080,000	Domestic Shares	66.55%
298,920,000	H Shares to be converted from Unlisted Foreign Shares held by CIMC Hong Kong and Sumitomo Corporation[1]	16.56%
304,750,000	H Shares to be issued under the Global Offering	16.89%
1,804,750,000		100.00%

Note:

(1) A total of 298,920,000 H Shares will be at Listing converted from 284,985,000 Unlisted Foreign Shares held by CIMC Hong Kong and 13,935,000 Unlisted Foreign Shares held by Sumitomo Corporation as of the Latest Practicable Date.

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional but does not take into account any Shares which may be issued or repurchased by us under the general mandate granted to our Directors as referred to below.

CONVERSION OF OUR DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

Conversion of our Domestic Shares

We currently have two classes of ordinary Shares, Domestic Shares and Unlisted Foreign Shares. Our Domestic Shares and Unlisted Foreign Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares will comprise the Domestic Shares held by CIMC, Shanghai Taifu, Shenzhen Longyuan, Taizhou Taifu, Nanshan Dacheng and Xiangshan Huajin and, therefore, the scope of our unlisted Shares will be the same as the scope of our Domestic Shares, and we will have two classes of Shares, Domestic Shares and H Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws.

According to stipulations made by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes (but without the necessity of shareholders' approval by class) have been duly completed and the approvals from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on our H Share register. As any subsequent listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC legal advisors, the Articles of Association are consistent with the relevant PRC laws and regulations on the conversion of our Domestic Shares.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from our Domestic Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditioned on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on our H Share register and the due dispatch of H Share certificates; and (ii) the admission of our H Shares to trade on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until our Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

Save as disclosed in Share Capital – Conversion of Unlisted Foreign Shares, so far as our Directors are aware, none of our promoters currently proposes to convert any of the Domestic Shares held by it into H Shares.

Conversion of Unlisted Foreign Shares

Upon completion of the Global Offering and pursuant to the approval of the CSRC dated March 12, 2019, 284,985,000 Unlisted Foreign Shares held by CIMC Hong Kong and 13,935,000 Unlisted Foreign Shares held by Sumitomo Corporation (being all of our Unlisted Foreign Shares) will be converted to H Shares on a one-for-one basis and be listed for trading on the Stock Exchange.

RANKING

Our Domestic Shares and H Shares are both ordinary Shares in the share capital of our Company. Our H Shares may only be subscribed for and traded in Hong Kong dollars. Our Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, through Shanghai-Hong Kong Stock Connect, or through Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, our H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Our Domestic Shares, on the other hand, can be purchased or transferred between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors.

We shall pay all dividends in respect of our H Shares in Hong Kong dollars and all dividends in respect of our Domestic Shares in RMB. See "Appendix VI–Summary of Principal Legal and Regulatory Provisions" and "Appendix V–Summary of Articles of Association" for details of the circumstances under which general meetings and class meetings of our Company are required.

Our H Shares and Domestic Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus, except as described in this prospectus, and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus.

However, the transfer of our Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and will qualify and rank equally for all dividends or other distributions declared, made or paid on our Shares on a record date which falls after the date of this prospectus.

LOCK-UP PERIODS

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of our H Shares will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Our Directors, Supervisors and members of senior management shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management.

In addition, (i) each of our existing Shareholders has undertaken to us not to transfer our Shares it holds at the time of Listing within one year from the Listing Date; and (ii) the Controlling Shareholders has also given a lock-up undertaking to us, the Sole Sponsor and the Underwriters. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings Provided to the Hong Kong Underwriters – Undertakings by the Controlling Shareholders" for further details.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of our Shareholders (i) increase its capital; (ii) consolidate our shares; (iii) divide its shares into several classes; (iv) subdivide our shares; and (v) cancel any shares which have not been taken up. In addition, our Company may, subject to the provisions of the PRC Company Law, reduce its share capital or capital redemption reserve by our Shareholders passing a special resolution. See "Appendix V–Summary of Articles of Association" for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to separately or concurrently allot, issue and deal with additional Domestic Shares and H Shares (including securities convertible into Domestic Shares and/or H Shares, including to decide on the class and number of Domestic Shares and H Shares to be issued; the pricing mechanism and/or the issue price (or the range of issue price); the opening and closing date and time of such issue; and/or to make any proposals, enter into any agreements or grant any share options or conversion rights which may involve the exercise of the power aforementioned, provided that, the number of Domestic Shares or H Shares issued and allotted or agreed conditionally or unconditionally to be issued and allotted (whether or not by way of the exercise of share options, conversion rights or by any other means) shall not exceed 20% of Domestic Shares in issue and H Shares in issue (as the case may be) as of the Listing Date.

This general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the Listing Date; or

(iii) the date on which the mandate is revoked or varied by a special resolution of our Shareholders in a general meeting.

Furthermore, we need to obtain approvals from the CSRC and other relevant regulatory authorities for the additional issue of our H Shares and Domestic Shares.

See "Statutory and General Information – 1. Further Information about our Company – C. Resolutions of the Shareholders of our Company dated October 26, 2018" in Appendix VII to this prospectus for further details of this general mandate to allot, issue and deal with Shares.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required, see "Notice of Meetings and Business to be Conducted Thereat" and "Variation of Rights of Existing Shares or Classes of Shares" in "Appendix V – Summary of Articles of Association".

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)		
Name of Substantial Shareholder	Nature of Interest	Class of Shares to be held after the Global Offering	Number of Shares	Approximate percentage in the total issued Share capital of our Company	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Share capital of our Company
CIMC	Beneficial interest	Domestic Shares	664,950,000	44.33%	664,950,000	55.36%	37.67%
	Interest in controlled corporation(1)	H Shares	284,985,000	19.00%	284,985,000	50.54%	16.15%
Ping An Decheng . . .	Interest in controlled corporation(2)	Domestic Shares	413,932,500	27.59%	413,932,500	34.46%	23.45%
Ping An Financial . . .	Interest in controlled corporation(2)	Domestic Shares	413,932,500	27.59%	413,932,500	34.46%	23.45%
Ping An Group	Interest in controlled corporation(2)	Domestic Shares	413,932,500	27.59%	413,932,500	34.46%	23.45%
CIMC Hong Kong . . .	Beneficial interest(1)	H Shares	284,985,000	19.00%	284,985,000	50.54%	16.15%
Shanghai Taifu.	Beneficial interest	Domestic Shares	252,330,000	16.82%	252,330,000	21.01%	14.30%
Chi Xiao	Interest in controlled corporation(3)	Domestic Shares	252,330,000	16.82%	252,330,000	21.01%	14.30%
Nanshan Group	Interest in controlled corporation(3)	Domestic Shares	252,330,000	16.82%	252,330,000	21.01%	14.30%
Taizhou Taifu	Beneficial interest	Domestic Shares	161,602,500	10.77%	161,602,500	13.45%	9.16%
Ping An Life Insurance	Interest in controlled corporation(4)	Domestic Shares	161,602,500	10.77%	161,602,500	13.45%	9.16%
Ping An Health Partnership	Interest in controlled corporation(4)	Domestic Shares	161,602,500	10.77%	161,602,500	13.45%	9.16%

Notes:

(1) CIMC Hong Kong is a wholly owned subsidiary of CIMC and therefore CIMC is deemed to be interested in our H Shares held by CIMC Hong Kong.

(2) Ping An Decheng is the general partner of Shanghai Taifu and Taizhou Taifu and therefore it is deemed to be interested in our Domestic Shares held by Shanghai Taifu and Taizhou Taifu. Ping An Decheng is wholly owned by Ping An Financial which is ultimately controlled by Ping An Group and therefore both Ping An Financial and Ping An Group are deemed to be interested in our Domestic Shares held by Shanghai Taifu and Taizhou Taifu.

(3) Chi Xiao is a limited partner of Shanghai Taifu which holds 39.63% of its interests and therefore it is deemed to be interested in our Domestic Shares held by Shanghai Taifu. Chi Xiao is wholly owned by Nanshan Group therefore Nanshan Group is also deemed to be interested in our Domestic Shares held by Shanghai Taifu.

(4) Both Ping An Life Insurance and Ping An Health Partnership are limited partners of Taizhou Taifu which holds 47.62% and 38.33% of its interests, respectively, therefore both of them are deemed to be interested in our Domestic Shares held by Taizhou Taifu.

(5) Any discrepancies in the above table between totals and the sums of amounts listed therein are due to rounding.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in "Appendix I – Accountant's Report", together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We primarily engage in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles. Our semi-trailers mainly include chassis and flatbed trailers, fence trailers, tank trailers, refrigerated trailers and van trailers. In 2017, we launched our center-axle car carriers in China. Our truck body products include dump beds for dump trucks, mixers for mixer trucks and a wide range of other truck bodies for specialty vehicles. We also engage in the sale of certain parts and components purchased from third-party manufacturers, such as axles, tires, lights and braking systems and, to a lesser extent, parts and components manufactured by us, mainly shafts. We market and sell an extensive range of semi-trailers and truck bodies in China, North America, Europe and other regions, covering over 40 countries.

We categorize our business into four operating segments, comprising China, North America, Europe and other regions, based on the locations of our customers:

- *China:* We derive revenue from (i) the sales of vehicles, which comprise primarily semi-trailers and truck bodies, (ii) the sales of parts and components, and (iii) other businesses, mainly (a) rental income from leasing properties in our vehicle parks and our trailer rental services, (b) after-sales services, such as provision of repair and parts replacement services, and (c) provision of supply chain services.

- *North America:* We derive revenue from (i) the sales of vehicles, which comprise chassis trailers, dry van trailers and refrigerated trailers, and (ii) the sales of parts and components.

- *Europe:* We derive revenue from (i) the sales of vehicles, which mainly comprise curtain-side trailers, chassis and flatbed trailers, and tank trailers, (ii) the sales of parts and components, and (iii) other businesses, which mainly comprise (a) provision of after-sales repair and parts replacement services, and, to a lesser extent, (b) provision of trade-in services and sales of refurbished semi-trailers.

- *Other regions:* We sell our vehicles, parts and components overseas to approximately 40 other countries, including Algeria, Australia, Indonesia, Japan, Malaysia, Saudi Arabia, South Africa, Thailand and Vietnam. Our products sold to other regions mainly comprise chassis and flatbed trailers, tank trailers, van trailers and refrigerated trailers.

In 2016, 2017 and 2018, our revenue was RMB14,555.6 million, RMB19,367.0 million and RMB24,168.2 million, respectively, and our net profit for the year was RMB752.8 million, RMB1,011.5 million and RMB1,232.0 million, respectively.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss, financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 4 to "Appendix I – Accountant's Report".

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

General Economic and Market Conditions and Industry Standards

As a substantial part of our revenue was derived from China, North America and Europe, our results of operations significantly depend on economic and market conditions in these regions. Global demand for semi-trailers and truck bodies is influenced by various factors beyond our control, such as the region's economic growth, urbanization progress, infrastructure spending, consumer spending and government policies. Demand for our products, such as chassis trailers, may also be adversely impacted if there is any significant slowdown in the growth of global trade and exports. Uncertainties about PRC and global economic conditions could adversely affect infrastructure spending and consumer confidence in response to uncertainties in political environment, credit constraints, financial market volatility, higher unemployment rates, government austerity programs, negative financial news, declines in disposal income or asset values and other macroeconomic factors. These regional economic and market conditions could have a material adverse effect on demand for our products. For example, macroeconomic policies in China which slow down infrastructure construction could dampen market demand for specialty vehicles, particularly dump trucks and mixer trucks. As our SDC branded semi-trailers are manufactured in the UK, market uncertainties associated with Brexit could adversely affect demand for our products made in the UK, such as curtain-side trailers.

In addition, demand could differ materially from our expectations as a result of changes in industry standards, particularly road transportation regulations and emission standards. For example, the implementation of GB1589-2016 in July 2016 posed strict limits on the height and length of trailers in China and set a new trend for PRC auto transporters to use center-axle trailer systems, thereby reducing market demand for certain old models of semi-trailer products, but also creating demand for new types or models of trailers, in particular center-axle car carriers. In certain developing countries and regions where our operations are located, such as China, Thailand and Vietnam, the semi-trailer industry is still evolving and it is possible that local industry standards and regulations may change in ways unfavorable to the development of this industry. Future changes in industry standards or relevant regulatory policies may have an adverse effect on our business prospects and results of operations.

Production Capacity and Efficiency

Our sales volume and results of operations have been, and will continue to be, affected by our production capacity and efficiency, which are also affected by the expansion and upgrading of our production facilities. If we are unable to respond to increased market demand by expanding our production capacity and completing the upgrading of our production facilities in time, our sales volume may not grow as expected and we may lose market share. We plan to develop and launch new plants and upgrade existing manufacturing plants in China and overseas, enhance our production efficiency and automation and increase our economies of scale. As part of our business strategy, we plan to continue to expand our production capacity to meet market demand. For example, we intend to increase our production capability for refrigerated trailers and chassis trailers in the US, including adding a new automated production line for chassis trailers so that we will be capable of manufacturing chassis trailers locally in the US to mitigate the adverse effect from any increase in the US import tariffs on semi-trailers and parts and components imported from China. We will also upgrade our manufacturing plant in Liangshan for chassis and flatbed trailers and another plant in Wuhu for tank trailers. See “Business–Production Facilities and Process–Production Facilities and Capacity–Capacity Expansion and Upgrade Plans” and “Risk Factors–Risks Relating to Our Business–Our future success depends, in part, on our ability to expand our production capacity and to further improve our productivity and upgrade our production facilities, which is subject to risks and uncertainties.”

Acquisitions and Expansion in Global Markets

Our results of operations have been, and will continue to be, affected by our ability to successfully execute and integrate acquisitions. During the Track Record Period, we have experienced solid growth in Europe following the acquisitions of SDC Trailers and LAG Trailers. In 2016, 2017 and 2018, our revenue from Europe amounted to RMB1,409.7 million, RMB2,225.7 million and RMB2,435.1 million, respectively. We believe that the semi-trailer market will continue to undergo industry consolidation. As part of our growth strategy, we plan to continue to seek suitable targets for acquisitions. In particular, we aim to pursue selective acquisitions of, or strategic investments in, semi-trailer and truck body manufacturers in China, the US or Europe. We prefer target companies which are well-known players in their respective market or product segment and have cost-efficient and environmentally friendly production and an attractive growth potential, which companies we believe can create synergies with our existing business and product portfolio and enhance our manufacturing capabilities and customer base. However, our ability to benefit from business acquisitions and integration is subject to a number of risks and uncertainties. See “Risk Factors–Risks Relating to Our Business–We may undertake acquisitions, investments, partnerships and new business lines, which may not be successful.”

We sell our products in China, North America, Europe and other regions, covering over 40 countries, and we intend to expand our business into more overseas markets, as a result of which we are exposed to various risks and restrictions associated with conducting business in foreign countries and regions. See "Risk Factors–Risks Relating to Our Business–Our entry into new markets is subject to risks and restrictions."

Competition and Pricing

The semi-trailer industry has relatively low entry barriers for new market entrants, and therefore, our success depends on our ability to maintain economies of scale and compete effectively with a broad array of competitors ranging from large multinationals to local and specialized brands. We may face significant competition in our manufacture and sale of semi-trailer and truck body business from foreign and domestic competitors. Competition in the global market is based on a number of factors, including pricing, product features and design, quality, performance, innovation, reputation, energy efficiency, distribution and financial incentives. Our competitors include large regional trailer manufacturers. Some of our specialized competitors may also have more flexibility to develop alternative technologies or experiment different product designs that consumers may prefer over ours. New competitors or increased competition from existing competitors domestically or from other regions may adversely affect our business, results of operations and financial condition.

Our pricing directly affects our revenue, gross profit margin and results of operations. We consider various factors, such as costs and market conditions, when pricing our products. These cost considerations are reflected in our financial statements as cost of raw materials and consumables used, employee benefits expenses, depreciation and amortization expenses and other operating expenses. However, if the actual costs are higher than the estimated costs on which our pricing is based, or we cannot completely pass on the increased costs to our customers, our gross profit margin and results of operations may be adversely affected. Our cost of sales primarily includes cost incurred for raw materials and consumables used, which accounted for 73.6%, 75.8% and 77.1% of our total revenue in 2016, 2017 and 2018, respectively, after adjustment for changes in inventories. Any fluctuation in the above costs could affect our results of operations.

Our Ability to Effectively Control Costs and Expenses

Our ability to effectively control our raw materials and consumables and other production-related costs has affected and will continue to affect our profitability. In particular, our results of operations are significantly affected by the cost of raw materials and consumables used, the single largest component of our cost of sales. The principal raw materials that we use in the production of our products are steel, and the key parts and components used for our production include truck chassis, tires, rims and axles. The prices of these materials are susceptible to significant price fluctuations due to supply and demand trends in the commodities markets, transportation costs, geopolitical events, government regulations and tariffs, changes in currency exchange rates, price controls, economic climate and other unforeseen circumstances. According to Frost & Sullivan, the market price of steel has experienced an upward trend since 2016. Our raw material costs as a percentage of revenue has moved broadly in line with this trend. In 2018, our raw material costs from North America has increased, which was driven by the rise of US tariffs on steel imports. We seek to manage our raw material costs by seeking competitive procurement tenders, maintaining long-term relationships with key suppliers and continuing the optimization of our supplier portfolio.

The term of our supply contracts is generally one year with at least annual adjustment to pricing terms. We leverage the bargaining power of CIMC to obtain more favorable raw material prices, such as steel. We also seek to manage our costs of parts and components through our centralized procurement function. See "Business–Suppliers" for details. We do not use financial instruments to hedge our raw material exposure. Due to the intense competition in the semi-trailer market, we are generally unable to pass on the full impact of price increases in raw materials to our customers. We expect the prices of raw materials to continue to fluctuate in the foreseeable future and our results of operations will continue to be materially affected by such movements. See "Risk Factors–Risks Relating to Our Business–We rely on certain key raw materials, parts and components and utilities, such as steel, tires, rims and axles in our manufacturing process, and any failure or shortage in the supply of such key raw materials, parts and components and utilities may adversely affect our business."

Foreign Currency Fluctuations

Due to our global operations, our results of operations have been and will continue to be affected by foreign exchange rate movements, both on a transactional and translation basis. We are primarily exposed to movements in the Renminbi, our reporting currency, against, principally, the US dollar. Translational effects of exchange rate fluctuations arise because financial results of our overseas subsidiaries are measured in their local functional currencies. The results of operations of our overseas subsidiaries are then translated into Renminbi for the presentation of our financial results in the consolidated financial statements. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the Renminbi value of our non-Renminbi revenue, costs, assets and liabilities, even if their underlying value has not changed.

Our biggest transactional exposure arises from the fact that a large proportion of our costs are incurred in Renminbi while our sales in the overseas markets are invoiced in other currencies, primarily the US dollar. From 2016 to 2017, our results of operations were positively affected by a higher average exchange rate of the Renminbi against the US dollar as our revenue and gross profit from the overseas markets increased. From 2017 to 2018, our results of operations were adversely affected by a lower average exchange rate of the Renminbi against the US dollar and other currencies. As a result of our global operations, we expect that our results of operations will continue to be affected by exchange rate fluctuations. See also "Risk Factors–Risks Relating to our Business–We are subject to risks relating to fluctuations in foreign exchange rates."

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated historical financial information. Note 2 to "Appendix I – Accountant's Report" includes a summary of significant accounting policies used in the preparation of our consolidated historical financial information. The determination of these accounting policies is fundamental to our financial condition and results of operations and requires our management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations of these items necessarily involve the use of assumptions and subjective judgments as to future events which are subject to changes, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain accounting estimates and judgments are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from our management's current judgments. We believe the following represents our critical accounting policies, judgments and estimates, the details of which are set out in notes 2 and 4 included in "Appendix I – Accountant's Report" to this prospectus:

- revenue recognition;
- impairment for inventories;
- expected credit loss for receivables;
- estimation of fair value of investment properties;
- income taxes and deferred taxations;
- product warranties; and
- expected credit loss of financial guarantee contracts for vehicle loans.

See note 2.1 included in "Appendix I – Accountant's Report" for recently issued accounting standards and interpretations of existing standards that are not yet effective and have not been previously adopted by us. We are in the process of making an assessment of the impact of the new and revised IFRS set forth in this note.

Application of IFRS 15 and IFRS 9

Our historical financial information was prepared by adopting IFRS 9 and IFRS 15 retrospectively on a consistent basis throughout the Track Record Period. We believe that the adoption of IFRS 9 and IFRS 15, as compared to the requirements of IAS 18 and IAS 39, does not have significant impact on our financial position and results of operations during the Track Record Period.

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and has been adopted by us throughout the Track Record Period.

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to be recognized through a five-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when a performance obligation is satisfied. The core principle is that a company should recognize revenue when the control of a good or service transfers to a customer.

We have assessed the effects of adopting IFRS 15 on our historical financial information and we consider that the adoption did not have a significant impact on our results of operations.

IFRS 9

The standard is effective for annual periods beginning on or after January 1, 2018 and has been adopted by us throughout the Track Record Period.

The new accounting policies replace the provisions of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments, such as IFRS 7 Financial Instruments: Disclosures. The new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

We have assessed the effects of adopting IFRS 9 on our historical financial information and we considered that the adoption did not have a significant impact on our financial position and results of operations.

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

The following table summarizes our consolidated income statements for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Revenue	14,555.6	19,367.0	24,168.2
Cost of sales	(12,349.9)	(16,518.7)	(21,008.9)
Gross profit	**2,205.7**	**2,848.3**	**3,159.3**
Selling and distribution expenses	(486.1)	(596.7)	(574.0)
Administrative expenses	(860.1)	(1,022.2)	(1,220.6)
Net impairment (losses)/gains on financial assets and financial guarantee contracts	(40.4)	11.6	16.3
Other income	123.6	133.5	158.0
Other gains/(losses) – net	99.8	(59.4)	82.5
Operating profit	**1,042.5**	**1,315.1**	**1,621.4**
Finance income	59.1	73.6	85.7
Finance costs	(82.7)	(114.3)	(160.1)
Share of net profits/(losses) of associates and a joint venture	4.2	(2.7)	5.8
Profit before income tax	**1,023.2**	**1,271.7**	**1,552.8**
Income tax expense	(270.4)	(260.2)	(320.8)
Profit for the year	**752.8**	**1,011.5**	**1,232.0**

Revenue

During the Track Record Period, we generated our revenue from sales of vehicles and parts and components. We also generated revenue from other businesses.

- *Sales of vehicles*. Sales of vehicles comprise (i) the sales of semi-trailers, including chassis and flatbed trailers, fence trailers, tank trailers, refrigerated trailers, van trailers and others, (ii) the sales of center-axle car carriers in and after 2017, (iii) the sales of truck bodies, including dump beds for dump trucks, mixers for mixer trucks and others, and (iv) the sales of tractor units and truck chassis. We do not manufacture tractor units or truck chassis. In line with the industry practice in China, typically for our mixers, we purchase the truck chassis requested by our customers and install the mixers onto such truck chassis to form fully-assembled mixer trucks, which we then sell to these customers. In addition, on limited occasions, we may procure tractor units as requested by our trailer customers which we deliver together with our semi-trailers. As a result, we record the sales of tractor units and truck chassis as revenue, and also the cost in procuring tractor units and truck chassis as cost of sales.

- *Sales of parts and components*. Besides manufacturing parts and components for our own production, we also generated revenue from (i) the manufacture and sale of certain parts and components, mainly shafts, and (ii) the sales of parts and components, such as axles, tires, lights and braking systems, which we purchased from third-party suppliers, to customers as after-sales services.

- *Others*. We also generated revenue mainly from (i) rental income, including from leasing properties in our vehicle parks, and trailer rental services, (ii) after-sales services, which principally comprise the provision of repair and parts replacement services, (iii) provision of supply chain services, and (iv) provision of trade-in services and sales of refurbished semi-trailers.

In 2016, 2017 and 2018, our revenue was RMB14,555.6 million, RMB19,367.0 million and RMB24,168.2 million, respectively.

We categorize our business into four operating segments, comprising China, North America, Europe and other regions, based on the location of our customers. The following table sets forth our revenue by business segment for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)					
China	**7,486.5**	**51.4%**	**10,907.3**	**56.3%**	**13,906.4**	**57.5%**
Sales of vehicles	6,910.2	47.5	10,075.6	52.0	12,996.1	53.8
Sales of parts and components	383.4	2.6	635.7	3.3	671.6	2.8
Others	192.9	1.3	196.1	1.0	238.7	1.0
North America	**4,483.6**	**30.8**	**4,693.4**	**24.2**	**6,635.4**	**27.5**
Sales of vehicles	4,049.1	27.8	4,234.2	21.9	6,133.7	25.4
Sales of parts and components	434.5	3.0	459.2	2.4	501.7	2.1
Europe	**1,409.7**	**9.7**	**2,225.7**	**11.5**	**2,435.1**	**10.1**
Sales of vehicles	1,172.5	8.1	1,807.2	9.3	1,998.0	8.3
Sales of parts and components	136.8	0.9	269.7	1.4	301.3	1.2
Others	100.3	0.7	148.8	0.8	135.9	0.6
Other Regions[1]	**1,175.8**	**8.1**	**1,540.5**	**8.0**	**1,191.2**	**4.9**
Sales of vehicles	1,140.6	7.8	1,511.9	7.8	1,167.7	4.8
Sales of parts and components	15.8	0.1	17.0	0.1	13.6	0.1
Others	19.3	0.1	11.6	0.1	9.9	0.0
Total	**14,555.6**	**100.0%**	**19,367.0**	**100.0%**	**24,168.2**	**100.0%**

(1) Consist of approximately 40 other countries, mainly Algeria, Australia, Indonesia, Japan, Malaysia, Saudi Arabia, South Africa, Thailand and Vietnam.

China

Revenue from China is principally derived from (i) the sales of vehicles, including semi-trailers and truck bodies, (ii) sales of parts and components and (iii) other businesses, mainly (a) rental income from leasing properties in our vehicle parks and our trailer rental services, (b) after-sales services, such as provision of repair and parts replacement services, and (c) provision of supply chain services. In 2016, 2017 and 2018, our revenue from China amounted to RMB7,486.5 million, RMB10,907.3 million and RMB13,906.4 million, representing 51.4%, 56.3% and 57.5% of our total revenue for the same years, respectively.

The following table sets forth a breakdown of our revenue from China by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)					
Sales of vehicles	**6,910.2**	**92.3%**	**10,075.6**	**92.4%**	**12,996.1**	**93.5%**
Semi-trailers	**4,340.6**	**58.0**	**5,470.4**	**50.2**	**4,654.4**	**33.5**
Chassis and flatbed trailers	1,462.5	19.5	1,809.0	16.6	1,556.3	11.2
Fence trailers	870.4	11.6	1,296.5	11.9	853.4	6.1
Tank trailers	1,623.2	21.7	1,765.2	16.2	1,742.0	12.5
– Liquid tank trailers	1,310.1	17.5	1,149.9	10.5	962.8	6.9
– Dry bulk tank trailers	313.0	4.2	615.3	5.6	779.2	5.6
Van trailers	107.6	1.4	134.2	1.2	141.2	1.0
Others(1)	276.9	3.7	465.5	4.3	361.5	2.6
Center-axle car carriers	**–**	**–**	**9.2**	**0.0**	**1,197.7**	**8.6**
Truck bodies	**1,259.1**	**16.8**	**2,668.5**	**24.5**	**4,072.8**	**29.3**
Dump beds for dump trucks	537.1	7.2	1,235.2	11.3	1,776.9	12.8
Mixers for mixer trucks	394.3	5.3	948.2	8.7	1,804.9	13.0
Others(2)	327.7	4.4	485.2	4.4	491.0	3.5
Tractor units and truck chassis	**1,310.5**	**17.5**	**1,927.4**	**17.7**	**3,071.2**	**22.1**
Sales of parts and components	**383.4**	**5.1**	**635.7**	**5.8**	**671.6**	**4.8**
Others	**192.9**	**2.6**	**196.1**	**1.8**	**238.7**	**1.7**
Total	**7,486.5**	**100.0%**	**10,907.3**	**100.0%**	**13,906.4**	**100.0%**

(1) Mainly consist of low flatbed trailers and car carrier semi-trailers.

(2) Mainly consist of truck bodies for sanitation trucks and refrigerated vans.

North America

Revenue from North America is derived from (i) the sales of vehicles, which comprise chassis trailers, dry van trailers and refrigerated trailers, and (ii) the sales of parts and components. In 2016, 2017 and 2018, our revenue from North America amounted to RMB4,483.6 million, RMB4,693.4 million and RMB6,635.4 million, representing 30.8%, 24.2% and 27.5% of our total revenue for the same years, respectively.

The following table sets forth a breakdown of our revenue from North America by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)					
Sales of vehicles	**4,049.1**	**90.3%**	**4,234.2**	**90.2%**	**6,133.7**	**92.4%**
Chassis trailers	1,601.0	35.7	1,952.6	41.6	3,389.2	51.1
Dry van trailers	1,709.0	38.1	1,550.5	33.0	1,865.6	28.1
Refrigerated trailers	739.1	16.5	731.1	15.6	879.0	13.2
Sales of parts and components	**434.5**	**9.7**	**459.2**	**9.8**	**501.7**	**7.6**
Total	**4,483.6**	**100.0%**	**4,693.4**	**100.0%**	**6,635.4**	**100.0%**

Europe

Revenue from Europe is principally derived from (i) the sales of vehicles, which mainly comprise semi-trailers, including curtain-side trailers, chassis and flatbed trailers, tank trailers and others, (ii) the sales of parts and components and (iii) other businesses, which mainly comprise (a) provision of after-sales repair and parts replacement services, and, to a lesser extent, (b) provision of trade-in services and sales of refurbished semi-trailers. In 2016, 2017 and 2018, our revenue from Europe amounted to RMB1,409.7 million, RMB2,225.7 million and RMB2,435.1 million, representing 9.7%, 11.5% and 10.1% of our total revenue for the same years, respectively.

The following table sets forth a breakdown of revenue from Europe by product type for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)					
Sales of vehicles	**1,172.5**	**83.2%**	**1,807.2**	**81.2%**	**1,998.0**	**82.0%**
Chassis and flatbed trailers	317.6	22.5	580.2	26.1	665.2	27.3
Curtain-side trailers	298.0	21.1	604.2	27.1	569.1	23.4
Tank trailers	314.7	22.3	290.8	13.1	320.8	13.2
– Liquid tank trailers	246.8	17.5	213.8	9.6	182.5	7.5
– Dry bulk tank trailers	67.9	4.8	77.0	3.5	138.3	5.7
Others[(1)]	242.2	17.2	332.0	14.9	442.8	18.2
Sales of parts and components	**136.8**	**9.7**	**269.7**	**12.1**	**301.3**	**12.4**
Others	**100.3**	**7.1**	**148.8**	**6.7**	**135.9**	**5.6**
Total	**1,409.7**	**100.0%**	**2,225.7**	**100.0%**	**2,435.1**	**100.0%**

(1) Mainly consist of road transportation-related products, such as bulk containers and swap bodies.

Other Regions

We sell our products to approximately 40 other countries, principally Algeria, Australia, Indonesia, Japan, Malaysia, Saudi Arabia, South Africa, Thailand and Vietnam. Our products sold to other regions mainly comprise chassis and flatbed trailers, tank trailers, van trailers and refrigerated trailers. In 2016, 2017 and 2018, our revenue from other regions amounted to RMB1,175.8 million, RMB1,540.5 million and RMB1,191.2 million, representing 8.1%, 8.0% and 4.9% of our total revenue for the same years, respectively.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales primarily comprises cost of raw materials and consumables used, employee benefit expenses, depreciation and amortization expenses and other operating expenses, such as expenses incurred for shipping and handling, utilities and rentals.

In 2016, 2017 and 2018, our cost of sales was RMB12,349.9 million, RMB16,518.7 million and RMB21,008.9 million, accounting for 84.8%, 85.3% and 86.9% of our total revenue for the same years, respectively. Our gross profit was RMB2,205.7 million, RMB2,848.3 million and RMB3,159.3 million, respectively. Our gross margin, which equals to gross profit divided by revenue, was 15.2%, 14.7% and 13.1%, respectively, for the same years. The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%
	(RMB in millions, except for percentages)					
Changes in inventories	(628.3)	(5.1%)	(275.5)	(1.7)%	(417.0)	(2.0)%
Raw materials and consumables used	11,346.0	91.9	14,964.1	90.6	19,040.2	90.6
Employee benefit expenses	793.1	6.4	822.2	5.0	1,034.9	4.9
Shipping and handling expense	266.3	2.2	362.0	2.2	564.7	2.7
Depreciation of property, plant and equipment	168.8	1.4	181.5	1.1	205.3	1.0
Other expenses(1)	404.0	3.3	464.4	2.8	580.8	2.8
Total	**12,349.9**	**100.0%**	**16,518.7**	**100.0%**	**21,008.9**	**100.0%**

(1) Mainly consist of expenses for utilities, processing and repair, surcharges and rental fees.

Our principal raw material is steel, and our key parts and components are truck chassis, tires, rims and axles. As a percentage of our total revenue in 2016, 2017 and 2018, our costs of raw materials and consumables used, adjusted for changes in inventories, was 73.6%, 75.8% and 77.1%, respectively.

Our employee benefit expenses consist primarily of (i) wages, salaries and bonuses, (ii) pension costs, which we incurred in respect of a defined contribution retirement scheme administered and operated by relevant PRC local municipal government, and (iii) other social security costs, housing benefits and other employee benefits. As a percentage of our total revenue, in 2016, 2017 and 2018, our employee benefit expenses were 5.4%, 4.2% and 4.3%, respectively.

China

The following table sets forth a breakdown of our cost of sales, gross profit and gross margin from China by product type for the years indicated:

	Year ended December 31,								
	2016			2017			2018		
	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin
	(RMB in millions, except for percentages)								
Sales of vehicles	**6,111.4**	**798.8**	**11.6%**	**8,865.7**	**1,209.9**	**12.0%**	**11,653.9**	**1,342.3**	**10.3%**
Semi-trailers	**3,744.6**	**596.0**	**13.7**	**4,769.0**	**701.4**	**12.8**	**4,197.0**	**457.4**	**9.8**
Chassis and flatbed trailers	1,221.2	241.3	16.5	1,557.5	251.5	13.9	1,408.5	147.7	9.5
Fence trailers	759.1	111.3	12.8	1,122.8	173.7	13.4	746.6	106.8	12.5
Tank trailers	1,428.3	194.9	12.0	1,560.9	204.3	11.6	1,579.3	162.8	9.3
– Liquid tank trailers	1,152.3	157.8	12.0	1,020.4	129.5	11.3	876.1	86.7	9.0
– Dry bulk tank trailers	275.9	37.1	11.9	540.5	74.8	12.2	703.2	76.1	9.8
Van trailers	91.3	16.3	15.1	109.0	25.2	18.8	122.4	18.8	13.3
Others(1)	244.7	32.2	11.6	418.8	46.7	10.0	340.2	21.2	5.9
Center-axle car carriers	**–**	**–**	**–**	**8.0**	**1.2**	**13.0**	**999.3**	**198.4**	**16.6**
Truck bodies	**1,059.4**	**199.7**	**15.9**	**2,183.4**	**485.1**	**18.2**	**3,394.0**	**678.8**	**16.7**
Dump beds for dump trucks	496.5	40.6	7.6	1,056.9	178.3	14.4	1,505.1	271.8	15.3
Mixers for mixer trucks	292.3	102.0	25.9	733.7	214.5	22.6	1,486.9	317.9	17.6
Others(2)	270.7	57.0	17.4	392.8	92.4	19.0	402.0	89.0	18.1
Tractor units and truck chassis	**1,307.4**	**3.1**	**0.2**	**1,905.2**	**22.2**	**1.2**	**3,063.6**	**7.7**	**0.2**
Sales of parts and components	**269.8**	**113.6**	**29.6**	**459.0**	**176.7**	**27.8**	**471.4**	**200.3**	**29.8**
Others	**61.6**	**131.3**	**68.1**	**98.8**	**97.3**	**49.6**	**71.1**	**167.6**	**70.2**
Total	**6,442.7**	**1,043.8**	**13.9%**	**9,423.5**	**1,483.8**	**13.6%**	**12,196.4**	**1,710.2**	**12.3%**

(1) Mainly consist of low flatbed trailers and car carrier semi-trailers.

(2) Mainly consist of truck bodies for sanitation trucks and refrigerated vans.

North America

The following table sets forth a breakdown of our cost of sales, gross profit and gross margin from North America by product type for the years indicated:

	Year ended December 31,								
	2016			2017			2018		
	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin
	(RMB in millions, except for percentages)								
Sales of vehicles	**3,268.1**	**781.0**	**19.3%**	**3,380.4**	**853.8**	**20.2%**	**5,197.2**	**936.5**	**15.3%**
Chassis trailers	1,213.2	387.8	24.2	1,401.7	550.9	28.2	2,723.5	665.7	19.6
Dry van trailers	1,435.8	273.2	16.0	1,379.1	171.3	11.0	1,731.5	134.1	7.2
Refrigerated trailers	619.2	120.1	16.2	599.6	131.5	18.0	742.2	136.7	15.6
Sales of parts and components	**394.3**	**40.2**	**9.3**	**421.2**	**38.0**	**8.3**	**457.3**	**44.4**	**8.8**
Total	**3,662.4**	**821.3**	**18.3%**	**3,801.6**	**891.8**	**19.0%**	**5,654.5**	**980.9**	**14.8%**

Europe

The following table sets forth a breakdown of our cost of sales, gross profit and gross margin from Europe by product type for the years indicated:

	Year ended December 31,								
	2016			2017			2018		
	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin
	(RMB in millions, except percentages)								
Sales of vehicles	**1,035.9**	**136.6**	**11.7%**	**1,647.7**	**159.5**	**8.8%**	**1,796.4**	**201.6**	**10.1%**
Chassis and flatbed trailers	285.3	32.3	10.2	529.8	50.4	8.7	593.6	71.7	10.8
Curtain-side trailers	266.6	31.4	10.5	557.1	47.1	7.8	532.9	36.2	6.4
Tank trailers	273.7	41.0	13.0	262.4	28.4	9.8	288.2	32.6	10.2
– Liquid tank trailers	215.2	31.6	12.8	192.1	21.7	10.1	160.2	22.4	12.3
– Dry bulk tank trailers	58.5	9.4	13.8	70.2	6.8	8.8	128.1	10.2	7.4
Others[(1)]	210.3	31.9	13.2	298.5	33.5	10.1	381.6	61.2	13.8
Sales of parts and components	**94.5**	**42.3**	**30.9**	**177.7**	**92.0**	**34.1**	**229.6**	**71.7**	**23.8**
Others	**74.6**	**25.7**	**25.6**	**112.7**	**36.1**	**24.3**	**106.3**	**29.6**	**21.8**
Total	**1,205.1**	**204.5**	**14.5%**	**1,938.1**	**287.7**	**12.9%**	**2,132.2**	**302.9**	**12.4%**

(1) Mainly consist of road transportation-related products, such as bulk containers and swap bodies.

Other Regions

The following table sets forth a breakdown of our cost of sales, gross profit and gross margin from other regions by product type for the years indicated:

	Year ended December 31,								
	2016			2017			2018		
	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin	Cost of Sales	Gross Profit	Gross Margin
	(RMB in millions, except percentages)								
Sales of vehicles	1,007.4	133.2	11.7%	1,332.9	179.0	11.8%	1,010.8	156.9	13.4%
Sales of parts and components	12.8	3.0	19.0	14.1	2.9	17.1	10.9	2.7	20.0
Others	19.6	(0.3)	(1.6)	8.5	3.1	26.7	4.1	5.7	58.0
Total	**1,039.7**	**136.1**	**11.6%**	**1,355.5**	**185.0**	**12.0%**	**1,025.9**	**165.3**	**13.9%**

Selling and Distribution Expenses

The following table sets forth a breakdown of our selling and distribution expenses by nature for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Employee benefits expenses	201.4	233.3	249.5
Business development expenses	150.8	186.6	156.0
Warranty expenses	76.7	99.3	91.1
Processing and repair expenses	6.2	16.3	14.4
Insurance expenses	9.6	11.3	12.5
Depreciation of property, plant and equipment	4.6	4.3	4.3
Other expenses[1]	36.8	45.6	46.2
Total	**486.1**	**596.7**	**574.0**

(1) Mainly consist of communication fees, storage fees and others.

As a percentage of our total revenue in 2016, 2017 and 2018, our selling and distribution expenses were 3.3%, 3.1% and 2.4%, respectively.

Administrative Expenses

The following table sets forth a breakdown of our expenses by nature for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Employee benefits expenses	430.9	535.2	577.6
Office and traveling expenses	149.4	197.5	294.1
Depreciation and amortization	102.6	86.9	93.5
Testing fees	38.8	44.1	74.0
Consultancy and professional service fees	41.0	52.4	44.7
Auditor's remuneration	6.5	7.5	7.5
Taxes and surcharges	6.2	3.9	5.0
Bank charges	10.9	9.0	6.5
Impairment for property, plant and equipment and intangible assets	14.2	18.8	49.7
Listing expenses	–	–	17.5
Other expenses[(1)]	59.6	66.9	50.5
Total	**860.1**	**1,022.2**	**1,220.6**

(1) Mainly consist of business startup expenses, amortization of leasehold improvements and others.

As a percentage of our total revenue in 2016, 2017 and 2018, our administrative expenses were 5.9%, 5.3% and 5.1%, respectively.

Net Impairment (Losses)/Gains on Financial Assets and Financial Guarantee Contracts

We recognized net impairment losses on financial assets and financial guarantee contracts of RMB40.4 million in 2016 and recognized net impairment gains on financial assets and financial guarantee contracts of RMB11.6 million and RMB16.3 million in 2017 and 2018, respectively, reflecting provision or reversal of provision for impairment of trade receivables and other receivables, and financial guarantee contracts.

Other Income

Our other income primarily comprises income from sales of scraps, government grants and value-added services. Other income from sales of scraps includes surplus steel, aluminum and stainless steel materials left over from product manufacturing and consumption. Government grants mainly comprise government subsidies received for our contribution to the local economies and our research and development projects. We provide value-added services, such as procuring certifications for our customers. We also generate other income from provision of other services, such as property management services in our vehicle parks.

The following table sets forth a breakdown of our other income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Sales of scraps	41.2	44.8	65.8
Government grants	42.7	43.9	42.4
Value-added services	15.5	13.9	19.9
Others	24.1	30.9	29.9
Total	**123.6**	**133.5**	**158.0**

Net Other Gains/(Losses)

Our other net gains or losses primarily include (i) net gains on disposal of subsidiaries, (ii) net foreign exchange gains or losses, and (iii) fair value gains on investment properties. In 2016 and 2018, we recorded other net gains of RMB99.8 million and RMB82.5 million, respectively. In 2017, we recorded other net losses of RMB59.4 million.

Finance Income and Costs

Our finance income mainly comprises interest income from deposits at commercial banks and loans to related parties. Our finance costs mainly comprise interests on borrowings. The following table sets forth our finance income and costs for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Finance income			
Interest income	59.1	73.6	85.7
Finance costs			
Interest expenses	(94.9)	(117.3)	(162.9)
Less:			
Capitalized amount[1]	12.2	3.0	2.8
Subtotal	(82.7)	(114.3)	(160.1)
Net finance costs	**(23.6)**	**(40.7)**	**(74.4)**

(1) Represents interest expenses capitalized for properties under development.

Share of Profits/(Losses) of Associates and a Joint Venture

The following table sets forth our share of profits or losses of associates and a joint venture for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Share of profits/(losses) of associates	3.4	(3.2)	5.6
Share of profits of a joint venture	0.8	0.5	0.2
Total	**4.2**	**(2.7)**	**5.8**

We account an entity as our associate if we have significant influence but no control or joint control over such entity. We account an entity as our joint venture if neither we nor our joint venture partner, pursuant to the relevant joint venture agreements, has unilateral control over the economic activities of such joint venture. Our share of profits or losses of associates was mainly from Xxentria Technology Materials (China) Co., Ltd., Shenzhen Cadro Hydraulic Equipment Co., Ltd. and Tianjin CIMC Logistics Equipment Co., Ltd. We expect that our share of profits or losses of associates and share of profits of a joint venture will not have a significant impact on our results of operations.

Income Tax Expenses

Our income tax expenses primarily consist of income tax payable by our subsidiaries in China and overseas. Our income tax expenses were RMB270.4 million, RMB260.2 million and RMB320.8 million for 2016, 2017 and 2018, respectively, and our effective enterprise income tax rate was 26.4%, 20.5% and 20.7%, respectively, for the same years. During the Track Record Period and up to the Latest Practicable Date, we fulfilled all our tax obligations and did not have any material unresolved tax disputes.

China

Our PRC subsidiaries were subject to a statutory enterprise income tax rate of 25% of the taxable profits of the relevant subsidiary under the EIT Law and relevant regulations during the Track Record Period, except for the following subsidiaries which enjoyed preferential tax treatment:

- nine of our subsidiaries were qualified as "High and New Technology Enterprises" and enjoyed a preferential enterprise income tax rate of 15%, which is subject to renewal every three years. Specifically, three subsidiaries enjoy preferential tax rates from 2014 to 2020, two from 2015 to 2021, one from 2013 to 2019, one from 2016 to 2019, one from 2018 to 2021, and another one from 2014 to 2016 and then from 2018 to 2021. We intend to apply for the extension of preferential tax treatment for our two subsidiaries, which will expire in 2019; and

- two subsidiaries which are engaged in business activities encouraged under the Western Region Development Plan (西部大開發戰略) enjoy a preferential enterprise income tax rate of 15%. The term of the tax incentives under the Western Region Development Plan will expire on December 31, 2020.

Overseas

Our overseas subsidiaries are mainly located in the US, the UK, Australia, Belgium, Malaysia, Poland, South Africa, Thailand and Vietnam. The applicable enterprise income tax rates prevailing in the relevant jurisdictions range from 15% to 39%.

In addition to applicable enterprise income tax rates, our effective enterprise income tax rates may also be affected by tax-free income amounts, expenses not deductible for taxation purposes, certain tax benefits on qualified research and development expenses, temporary differences for which no deferred income tax asset was recognized, utilization of previously unrecognized tax losses and tax losses for which no deferred income tax assets were recognized.

RESULTS OF OPERATIONS

The following discussion and analysis compares the major components of our operating results in 2016, 2017 and 2018.

Revenue

Comparisons between 2018 and 2017

Revenue increased by 24.8% from RMB19,367.0 million in 2017 to RMB24,168.2 million in 2018, primarily due to increases in our revenue from China and North America.

China

Revenue from China increased by 27.5% from RMB10,907.3 million in 2017 to RMB13,906.4 million in 2018, mainly due to an increase of RMB2,920.5 million from sales of vehicles, comprising (i) an increase of RMB1,404.3 million from sales of truck bodies, (ii) an increase of RMB1,188.5 million from sales of center-axle car carriers and (iii) an increase of RMB1,143.8 million from sales of tractor units and truck chassis, which generally corresponded to the increased sales of truck bodies as we normally sell mixers with truck chassis installed, and the increase in our revenue was partially offset by a decrease of RMB816.0 million from sales of semi-trailers.

- Sales of truck bodies increased by 52.6% from RMB2,668.5 million in 2017 to RMB4,072.8 million in 2018, mainly as a result of our increased sales of dump beds and mixers due to increased market demand for specialty vehicles used for construction, reflecting active infrastructure development in China.

- Sales of tractor units and truck chassis increased by 59.3% from RMB1,927.4 million in 2017 to RMB3,071.2 million in 2018, primarily due to increased sales of truck chassis as a result of our increased sales of truck bodies during the year.

- Sales of center-axle car carriers increased significantly from RMB9.2 million in 2017 to RMB1,197.7 million in 2018, primarily as we launched our center-axle car carriers in the second half of 2017.

- Sales of semi-trailers decreased by 14.9% from RMB5,470.4 million in 2017 to RMB4,654.4 million in 2018, primarily as a result of (i) a decrease of RMB443.1 million in sales of fence trailers, primarily due to a decrease in market demand, which was mainly attributable to increased competition from alternative transportation modes as the Chinese government promulgated policies in 2018 encouraging railway and waterborne transportation of coal, steel and other bulk goods, and (ii) a decrease of RMB252.7 million in sales of chassis and flatbed trailers and a decrease of RMB187.1 million in sales of liquid tank trailers, primarily due to a decrease in market demand which subsided from its peak in 2017.

Sales of parts and components increased slightly from RMB635.7 million in 2017 to RMB671.6 million in 2018, primarily due to our increased sales of shafts, reflecting an increase in demand from our customers.

Revenue from other businesses in China increased by 21.7% from RMB196.1 million in 2017 to RMB238.7 million in 2018, mainly as a result of (i) our increased revenue from sales of properties in our vehicle parks and (ii) increased revenue from the growth of trailer rental services.

North America

Revenue from North America increased by 41.4% from RMB4,693.4 million in 2017 to RMB6,635.4 million in 2018, mainly due to an increase of RMB1,899.5 million in sales of vehicles and an increase of RMB42.5 million in sales of parts and components.

Sales of vehicles increased by 44.9% from RMB4,234.2 million in 2017 to RMB6,133.7 million in 2018, mainly attributable to (i) an increase of RMB1,436.6 million in sales of chassis trailers partly due to the increased market demand in anticipation of a rise in tariffs, (ii) an increase of RMB315.1 million in sales of dry van trailers and (iii) an increase of RMB147.9 million in sales of refrigerated trailers. The overall increase was mainly due to the increased market demand for trailer products and favorable economic conditions in the US.

Sales of parts and components increased by 9.3% from RMB459.2 million in 2017 to RMB501.7 million in 2018, primarily due to increased demand for parts and components in the US after-sales market.

Europe

Revenue from Europe increased by 9.4% from RMB2,225.7 million in 2017 to RMB2,435.1 million in 2018, primarily due to an increase of RMB190.8 million in sales of vehicles.

Sales of vehicles in Europe increased by 10.6% from RMB1,807.2 million in 2017 to RMB1,998.0 million in 2018, primarily due to (i) an increase of RMB110.8 million in sales of other products, mainly including road transportation-related products, such as swap bodies, (ii) an increase of RMB85.0 million in sales of chassis and flatbed trailers, primarily due to the increased average sales price in Europe and (iii) an increase of RMB61.3 million in sales of dry bulk tank trailers, mainly reflecting higher market demand for aluminum alloy dry bulk tank trailers. Such increase was partially offset by (i) a decrease of RMB35.1 million in sales of curtain-side trailers, primarily due to the decreased market demand for our curtain-side trailers in the UK resulting from market uncertainties associated with Brexit, and (ii) a decrease of RMB31.3 million in sales of liquid tank trailers, as a result of capacity constraints at our Yangzhou plant in China for producing tank bodies used in our liquid tank trailers sold in Europe.

Sales of parts and components in Europe increased by 11.7% from RMB269.7 million in 2017 to RMB301.3 million in 2018, mainly reflecting our efforts to expand our after-sales services business in the UK after our acquisition of SDC Trailers.

Revenue from other business in Europe decreased by 8.7% from RMB148.8 million in 2017 to RMB135.9 million in 2018, mainly as our trade-in services decreased, our sales of refurbished semi-trailers also decreased.

Other Regions

Revenue from other regions decreased by 22.7% from RMB1,540.5 million in 2017 to RMB1,191.2 million in 2018. This decrease was mainly because (i) we had several sizeable one-off orders for dry bulk tank trailers from Algeria in 2017 which generated approximately US$16.1 million in revenue that did not recur in 2018 and (ii) sales of mixers and fence trailers in the Southeast Asian market decreased as a result of a decrease in our customer demand.

Comparisons between 2017 and 2016

Revenue increased by 33.1% from RMB14,555.6 million in 2016 to RMB19,367.0 million in 2017, primarily due to increases in revenue from China and Europe.

China

Revenue from China increased by 45.7% from RMB7,486.5 million in 2016 to RMB10,907.3 million in 2017, mainly due to an increase of RMB3,165.4 million in sales of vehicles, comprising (i) an increase of RMB1,409.4 million in sales of truck bodies, (ii) an increase of RMB1,129.80 million in sales of semi-trailers and (iii) an increase of RMB616.9 million in sales of tractor units and truck chassis, which generally corresponded to the increased sales of truck bodies as we normally sell mixers with truck chassis installed.

- Sales of truck bodies in China increased significantly from RMB1,259.1 million in 2016 to RMB2,668.5 million in 2017, mainly due to our increased revenue from sales of dump beds and mixers as a result of the high market demand for specialty vehicles used for construction, reflecting active infrastructure development in China.

- Sales of tractor units and truck chassis in China increased by 47.1% from RMB1,310.5 million in 2016 to RMB1,927.4 million in 2017, which generally corresponded to the increased sales of truck bodies in 2017.

- Sales of semi-trailers in China increased by 26.0% from RMB4,340.6 million in 2016 to RMB5,470.4 million in 2017, primarily due to the increased market demand for (i) chassis and flatbed trailers, as a result of the high market demand for logistic services driven by the fast growing e-commerce sector in China and, (ii) fence trailers, which meet the new requirements under GB1589-2016, and (iii) dry bulk tank trailers, as a result of the high market demand for semi-trailers used for construction, reflecting active infrastructure development in China.

- We generated revenue of RMB9.2 million from sales of center-axle car carriers in China in 2017 as we started to manufacture and sell this product in the second half of 2017.

Sales of parts and components in China increased by 65.8% from RMB383.4 million in 2016 to RMB635.7 million in 2017, primarily due to (i) the increased sales of shafts, resulting from an increase in production and sales at our casting plant in Zhumadian for shafts, and (ii) an increase in our after-sales services following our increased sales of vehicles.

North America

Revenue from North America increased slightly from RMB4,483.6 million in 2016 to RMB4,693.4 million in 2017, primarily due to an increase of RMB185.1 million in sales of vehicles and an increase of RMB24.7 million in sales of parts and components.

Sales of vehicles increased slightly from RMB4,049.1 million in 2016 to RMB4,234.2 million in 2017, primarily due to an increase of RMB351.6 million in sales of chassis trailers, primarily resulting from the increased orders placed by our existing key customers and new customers, which was partially offset by a decrease of RMB158.5 million in sales of dry van trailers, primarily due to decreased sales volumes, reflecting a slower growth of the US road transportation industry.

Sales of parts and components increased by 5.7% from RMB434.5 million in 2016 to RMB459.2 million in 2017, as our sales of parts and components for dry van trailers in North America normally increase when our sales of dry van trailers decrease.

Europe

Revenue from Europe increased by 57.9% from RMB1,409.7 million in 2016 to RMB2,225.7 million in 2017, primarily due to an increase of RMB634.7 million in sales of vehicles and an increase of RMB132.9 million in sales of parts and components.

Sales of vehicles in Europe increased by 54.1% from RMB1,172.5 million in 2016 to RMB1,807.2 million in 2017, mainly due to our increased revenue from sales of curtain-side trailers and chassis and flatbed trailers, which was mainly attributable to our acquisition of SDC Trailers in the second half of 2016.

Sales of parts and components in Europe increased by 97.1% from RMB136.8 million in 2016 to RMB269.7 million in 2017, mainly attributable to our acquisition of SDC Trailers in the second half of 2016.

Revenue from other businesses in Europe increased by 48.4% from RMB100.3 million in 2016 to RMB148.8 million in 2017, primarily due to the business contributions resulting from our acquisition of SDC Trailers.

Other Regions

Revenue from other regions increased by 31.0% from RMB1,175.8 million in 2016 to RMB1,540.5 million in 2017, as we captured the growing market demand in a number of markets, such as the one-off orders of dry bulk tank trailers in Algeria which generated revenue of approximately US$16.1 million in 2017.

Cost of Sales, Gross Profit and Gross Margin

Comparisons between 2018 and 2017

Cost of sales increased by 27.2% from RMB16,518.7 million in 2017 to RMB21,008.9 million in 2018, generally in line with the increase in our total revenue.

Cost of raw materials and consumables used increased from 2017 to 2018, in both absolute amount and as a percentage of total revenue, primarily due to (i) our strong sales growth in the PRC and North American markets, (ii) higher raw material expenses, mainly as a result of the increased steel price in the global market, and (iii) increased purchase of truck chassis in China which have lower gross margins, as a result of our increased sales volume of dump beds and mixers due to increased market demand for specialty vehicles used for construction.

Gross profit was RMB3,159,3 million and RMB2,848.3 million in 2018 and 2017, respectively, and our gross margin was 13.1% and 14.7%, respectively, principally as a result of (i) our limited ability to pass on the full impact of the increased raw material costs to our customers and (ii) our increased sales volume of vehicles with lower gross margins, such as truck chassis.

China

Cost of sales from China increased by 29.4% from RMB9,423.5 million in 2017 to RMB12,196.4 million in 2018, generally in line with our revenue growth in China.

Gross profit from China increased by 15.3% from RMB1,483.8 million in 2017 to RMB1,710.2 million in 2018, mainly as a result of increased sales of central-axle car carriers and truck bodies, while the gross margin decreased from 13.6% in 2017 to 12.3% in 2018, primarily due to (i) our increased sales volume of truck chassis which have lower gross margin and (ii) our limited ability to pass on the full impact of the increased raw material costs to our customers partly due to market competition.

North America

Cost of sales from North America increased by 48.7% from RMB3,801.6 million in 2017 to RMB5,654.5 million in 2018, generally in line with our revenue growth in North America.

Gross profit from North America increased by 10.0% from RMB891.8 million in 2017 to RMB980.9 million in 2018, mainly reflecting the increased gross profit from sales of chassis trailers and, to a lesser extent, parts and components in North America, while the gross margin decreased from 19.0% in 2017 to 14.8% in 2018, due to the overall decrease in the gross margin of our products sold in North America which was principally attributable to (i) the lower average exchange rate of Renminbi against US dollar in 2018 as compared to 2017, as our revenue from the US was denominated in US dollar while costs of certain raw materials used for goods sold in the US were denominated in Renminbi, (ii) the increased market prices of steel and aluminum procured in the US and (iii) the imposition of a 10% tariff on US$200 billion worth of certain Chinese imports to the US, including semi-trailers manufactured in China, by the US administration in September 2018.

Europe

Cost of sales from Europe increased by 10.0% from RMB1,938.1 million in 2017 to RMB2,132.2 million in 2018, generally in line with our revenue growth in Europe.

Gross profit from Europe increased slightly from RMB287.7 million in 2017 to RMB302.9 million in 2018, as a result of increased sales of other products such as swap bodies and chassis and flatbed trailers, while the gross margin decreased from 12.9% in 2017 to 12.4% in 2018, primarily due to the increased raw material costs which we were not able to fully pass on to our customers partly due to market competition.

Other Regions

Cost of sales from other regions decreased by 24.3% from RMB1,355.5 million in 2017 to RMB1,025.9 million in 2018, generally in line with the decrease in our revenue from other regions.

Gross profit from other regions decreased by 10.6% from RMB185.0 million in 2017 to RMB165.3 million in 2018, primarily due to the decreased sales of dry bulk tank trailers in Algeria and mixers and fence trailers in the Southeast Asian market, while the gross margin increased from 12.0% in 2017 to 13.9% in 2018, primarily due to the increased sales of our mixers installed on truck chassis and sold as fully-assembled mixer trucks mainly benefiting from the fluctuations in exchange rates.

Comparisons between 2017 and 2016

Cost of sales increased by 33.8% from RMB12,349.9 million in 2016 to RMB16,518.7 million in 2017, generally in line with our overall revenue growth.

Our costs of raw materials and consumables used increased from 2016 to 2017, in both absolute amount and as a percentage of total revenue, primarily due to (i) our strong sales growth across the world, (ii) higher raw material costs, mainly as a result of the increased steel price in the global market, and (iii) the increased purchase of truck chassis in China, as a result of an increase in sales of dump beds and mixers due to increased market demand for specialty vehicles for construction.

Gross profit increased by 29.1% from RMB2,205.7 million in 2016 to RMB2,848.3 million in 2017, and our gross margin decreased from 15.2% in 2016 to 14.7% in 2017, principally due to (i) increased raw material costs which we were unable to fully pass on to our customers due partly to market competition and (ii) an increase in sales volume of vehicles with lower gross margins, such as truck chassis.

China

Cost of sales from China increased by 46.3% from RMB6,442.7 million in 2016 to RMB9,423.5 million in 2017, generally in line with our revenue growth in China.

Gross profit from China increased by 42.2% from RMB1,043.8 million in 2016 to RMB1,483.9 million in 2017, while our gross margin remained relatively stable at 13.9% and 13.6% in 2016 and 2017, respectively.

North America

Cost of sales from North America increased slightly from RMB3,662.4 million in 2016 to RMB3,801.6 million in 2017, generally in line with our slight increase in revenue in North America.

Gross profit from North America increased by 8.6% from RMB821.3 million in 2016 to RMB891.8 million in 2017, while the gross margin increased from 18.3% in 2016 to 19.0% in 2017, principally due to the increased gross margin of chassis trailers and refrigerated trailers due to the higher average exchange rate of Renminbi against the US dollar in 2017 as compared to 2016.

Europe

Cost of sales from Europe increased by 60.8% from RMB1,205.1 million 2016 to RMB1,938.1 million in 2017, mainly due to our acquisition and consolidation of SDC Trailers.

Gross profit from Europe increased by 40.7% from RMB204.5 million in 2016 to RMB287.7 million in 2017, while the gross margin decreased from 14.5% in 2016 to 12.9% in 2017, primarily due to changes in our product mix and the resulting increased sales of chassis and flatbed trailers which have lower gross margins than other products sold in Europe, following our acquisition and consolidation of SDC Trailers in the second half of 2016.

Other Regions

Cost of sales from other regions increased by 30.4% from RMB1,039.7 million in 2016 to RMB1,355.5 million in 2017, generally in line with our revenue increase from other regions.

Gross profit from other regions increased by 35.9% from RMB136.1 million in 2016 to RMB185.0 million in 2017, and the gross margin remained relatively stable at 11.6% and 12.0% in 2016 and 2017, respectively.

Selling and Distribution Expenses

Comparisons between 2018 and 2017

Selling and distribution expenses decreased slightly from RMB596.7 million in 2017 to RMB574.0 million in 2018, primarily due to (i) the decreased business development expenses, as we focused more business development efforts on key clients and therefore incurred lower traveling and other business development costs for developing other clients, and (ii) the decreased warranty expenses primarily as we accrued less expenses for less vehicle repairs provided, reflecting our improved product quality. As a percentage of revenue, selling and distribution expenses decreased from 3.1% in 2017 to 2.4% in 2018.

Comparisons between 2017 and 2016

Selling and distribution expenses increased by 22.8% from RMB486.1 million in 2016 to RMB596.7 million in 2017. This was primarily due to the overall increase in our marketing activities and acquisition and consolidation of SDC Trailers. As a percentage of revenue, selling and distribution expenses decreased slightly from 3.3% in 2016 to 3.1% in 2017.

Administrative Expenses

Comparisons between 2018 and 2017

Administrative expenses increased by 19.4% from RMB1,022.2 million in 2017 to RMB1,220.6 million in 2018. This was primarily due to (i) our increased office and traveling expenses, mainly as a result of the increased materials used for research and development activities, (ii) our increased employee benefit expenses, as a result of increased performance-based compensation, (iii) the increased testing fees to support some of our development projects and (iv) our recognition of listing expense in 2018. As a percentage of revenue, administrative expenses decreased slightly from 5.3% in 2017 to 5.1% in 2018.

Comparisons between 2017 and 2016

Administrative expenses increased by 18.8% from RMB860.1 million in 2016 to RMB1,022.2 million in 2017. This was primarily due to (i) our increased employee benefit expenses, as a result of increased performance-based compensation, (ii) office and traveling expenses, generally reflecting our business expansion, and (iii) the increased consultancy and professional services fees as a result of our increased commissioning of services from consulting firms. As a percentage of revenue, administrative expenses decreased from 5.9% in 2016 to 5.3% in 2017.

Net Impairment (Losses)/Gains on Financial Assets and Financial Guarantee Contracts

Comparisons between 2018 and 2017

Net impairment gains on financial assets and financial guarantee contracts increased from RMB11.6 million in 2017 to RMB16.3 million in 2018, primarily reflecting the reduced credit risk of our customers and our enhanced business operation and management.

Comparisons between 2017 and 2016

Net impairment losses or gains on financial assets and financial guarantee contracts changed from net impairment losses of RMB40.4 million in 2016 to net impairment gains of RMB11.6 million in 2017, primarily reflecting the reduced credit risk of our customers as a result of the favorable market environment in 2017.

Other Income

Comparisons between 2018 and 2017

Other income increased by 18.4% from RMB133.5 million in 2017 to RMB158.0 million in 2018, primarily due to (i) increased sales of scraps in line with our business expansion and (ii) increased income from provision of value-added services, including principally procurement of certifications for customers.

Comparisons between 2017 and 2016

Other income increased by 8.0% from RMB123.6 million in 2016 to RMB133.5 million in 2017. This was primarily due to (i) increased service income from our management of vehicle parks and provision of related services and (ii) increased income from sales of scraps in line with our business expansion.

Net Other Gains/(Losses)

Comparisons between 2018 and 2017

Net other gains and losses changed from net losses of RMB59.4 million in 2017 to net gains of RMB82.5 million in 2018, primarily due to (i) net gains on disposal of certain of our subsidiaries, (ii) gains from fair value adjustment of investment properties based on our property evaluation of the vehicle parks and (iii) a decrease in net foreign exchange losses as a result of the depreciation of the Renminbi against the US dollar in 2018.

Comparisons between 2017 and 2016

Other net gains or losses changed from net gains of RMB99.8 million in 2016 to net losses of RMB59.4 million in 2017, as a result of (i) a decrease in gains from the fair value adjustment of investment properties based on our property evaluation and (ii) an increase in net foreign exchange losses as a result of the appreciation of the Renminbi against the US dollar in 2017.

Net Finance Income/(Costs)

Comparisons between 2018 and 2017

Net finance costs increased by 82.8% from RMB40.7 million in 2017 to RMB74.4 million in 2018, primarily due to our increased interest expenses as a result of a higher average balance of borrowings and interest rates.

Comparisons between 2017 and 2016

Net finance costs increased by 72.5% from RMB23.6 million in 2016 to RMB40.7 million in 2017, as a result of our relatively large increase in interest expenses on borrowings due to a higher average balance of borrowings to support our business.

Share of Profits/(Losses) of Associates and a Joint Venture

Comparisons between 2018 and 2017

Share of profits or losses of associates and a joint venture changed from losses of RMB2.7 million in 2017 to profits of RMB5.8 million in 2018, mainly due to increases in profits from three of our associates.

Comparisons between 2017 and 2016

Share of profits or losses of associates and a joint venture changed from profits of RMB4.2 million in 2016 to losses of RMB2.7 million in 2017, primarily because (i) certain of our newly established associates were at an early stage of their operations and (ii) certain of our associates in China experienced a decrease in their profits in light of a market downturn.

Profit before Income Tax

Comparisons between 2018 and 2017

As a result of the foregoing, our profit before income tax increased by 22.1% from RMB1,271.7 million in 2017 to RMB1,552.8 million in 2018.

Comparisons between 2017 and 2016

As a result of the foregoing, our profit before income tax increased by 24.3% from RMB1,023.2 million in 2016 to RMB1,271.7 million in 2017.

Income Tax Expense

Comparisons between 2018 and 2017

Our income tax expense increased by 23.3% from RMB260.2 million in 2017 to RMB320.8 million in 2018. Our effective tax rate was 20.5% and 20.7% in 2017 and 2018, respectively.

Comparisons between 2017 and 2016

Income tax expense decreased slightly from RMB270.4 million in 2016 to RMB260.2 million in 2017. Our effective tax rate decreased from 26.4% in 2016 to 20.5% in 2017. The decreases in both the income tax expenses and the effective tax rate were due primarily to a change to our revenue mix because, as compared to 2016, we had a relatively reduced portion of taxable income from the US which has a higher corporate income tax rate.

Profit for the Year

Comparisons between 2018 and 2017

As a result of the foregoing, our profit for the year increased by 21.8% from RMB1,011.5 million in 2017 to RMB1,232.0 million in 2018.

Comparisons between 2017 and 2016

As a result of the foregoing, our profit for the year increased by 34.4% from RMB752.8 million in 2016 to RMB1,011.5 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our working capital primarily from cash generated from our business operations, related parties borrowings, bank loans and equity contributions from our Shareholders. As of April 30, 2019, we had cash and cash equivalents of RMB2,264.1 million.

After the Global Offering, we intend to finance our future capital requirements from cash generated from our business operations and bank loans, together with debt financing and the net proceeds from the Global Offering. We do not anticipate any material changes to the availability of financing to fund our operations in the future. During the Track Record Period, we did not experience any significant difficulties in obtaining or renewing our borrowings and bank loans.

Taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, cash flows from operating activities and available banking facilities, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this prospectus.

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows, assets and liabilities, and indebtedness.

Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Net cash generated from operating activities	1,197.6	1,782.1	1,083.3
Net cash used in investing activities	(1,518.6)	(438.0)	(10.3)
Net cash generated from/(used in) financing activities	1,057.7	(278.9)	(1,309.6)
Net increase/(decrease) in cash and cash equivalents	736.7	1,065.2	(236.6)
Cash and cash equivalents at the beginning of the year	998.0	1,780.3	2,810.8
Exchange gains/(losses) on cash and cash equivalents	45.6	(34.7)	42.8
Cash and cash equivalents at the end of the year	**1,780.3**	**2,810.8**	**2,617.0**

Operating Activities

Our net cash generated from operating activities consists primarily of revenue from our sales of vehicles, parts and components and other businesses. Net cash generated from operating activities reflects: (i) profit before taxation adjusted for non-operating items such as finance costs and non-cash items, such as depreciation and amortization, (ii) the effect of movements in working capital, such as increase or decrease in receivables, payables and inventories, and (iii) income tax paid.

In 2018, we had net cash generated from operating activities of RMB1,083.3 million, representing cash generated from operations of RMB1,374.9 million less income tax paid of RMB291.6 million. Cash generated from operations was primarily attributable to our profit before income tax of RMB1,552.8 million, adjusted for (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB258.0 million and finance costs of RMB140.8 million, and (ii) negative movements in working capital. The negative movements in working capital were mainly attributable to (i) an increase in receivables of RMB764.2 million, mainly attributable to our increased sales especially in China and North America, and (ii) an increase in inventories of RMB469.0 million, due to our overall sales growth, especially reflecting the higher market demand in China and North America, partially offset by an increase in payables of RMB596.5 million, primarily due to our increased purchase of raw materials as a result of the increased sales in China and North America.

In 2017, we had net cash generated from operating activities of RMB1,782.1 million, representing cash generated from operations of RMB2,100.3 million less income tax paid of RMB318.2 million. Cash generated from operations was primarily attributable to our profit before income tax of RMB1,271.7 million, adjusted for (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB222.6 million, and (ii) positive movements in working capital, primarily attributable to an increase in payables of RMB820.8 million, mainly due to an increase in dividend payables and increase in payroll and welfare payables in line with our business growth, partially offset by an increase in inventories of RMB331.7 million in response to our increased sales volume.

In 2016, we had net cash generated from operating activities of RMB1,197.6 million, representing cash generated from operations of RMB1,399.4 million less income tax paid of RMB201.8 million. Cash generated from operations was primarily attributable to our profit before income tax of RMB1,023.2 million, adjusted for (i) non-cash and non-operating items, primarily comprising the depreciation of property, plant and equipment of RMB219.3 million, and (ii) positive movements in working capital, primarily attributable to an increase in payables of RMB1,157.8 million, primarily due to the increased payables for raw materials as a result of a substantial increase in purchase orders for raw materials, parts and components for production, partially offset by (a) an increase in inventories of RMB519.3 million, in response to our increased sales volume, and (b) an increase in receivables of RMB628.1 million, as a result of a substantial increase in sales orders.

Investing Activities

Our cash used in investing activities primarily consists of our payments for property, plant and equipment, intangible assets, investment properties and land use rights, payment for the acquisition of subsidiaries, loans to related parties and payment for acquisition of associates. Our cash inflows from investing activities primarily consist of repayments of loans by related parties and proceeds from the disposal of property, plant and equipment, intangible assets, investment properties and land use rights.

In 2018, our net cash used in investing activities was RMB10.3 million, primarily due to payments for property, plant and equipment, intangible assets, investment properties and land use rights of RMB869.9 million, mainly due to the purchase of fixed assets and other equipment to support our business expansion. The cash outflow was partially offset by (i) proceeds from disposal of financial asset at fair value through profit or loss of RMB419.9 million from disposal of certain wealth management products, (ii) proceeds from disposals of subsidiaries of RMB190.3 million, mainly due to disposals of certain vehicle parks, and (iii) repayment of loans by related parties of RMB162.3 million.

In 2017, our net cash used in investing activities was RMB438.1 million, primarily due to (i) payments for property, plant and equipment of RMB496.5 million, mainly relating to the purchase of fixed assets and other equipment to support our daily operation, (ii) payment for the acquisition of financial assets at fair value through profit or loss of RMB408.0 million, mainly relating to payments for purchasing wealth management products, (iii) loans to related parties of RMB162.3 million and (iv) payment for acquisition of subsidiaries, net of cash acquired of RMB155.9 million, which reflected the cash paid as earn-out in the acquisition of SDC Trailers. The cash outflow was partially offset by (i) repayment of loans by related parties of RMB628.9 million and (ii) proceeds from the disposal of property, plant and equipment, intangible assets, investment properties and land use rights of RMB133.5 million, mainly relating to our disposal and scrapping of certain obsolete fixed assets.

In 2016, our net cash used in investing activities was RMB1,518.6 million, primarily due to (i) loans to related parties of RMB814.9 million, (ii) payments for property, plant and equipment, intangible assets, investment properties and land use rights of RMB606.7 million to support our business expansion, (iii) payment for acquisition of a subsidiary, net of cash required, of RMB575.0 million, mainly relating to payment for the acquisition of SDC Trailers, and (iv) payments for acquisition of associates of RMB118.5 million, mainly relating to the acquisition of equity interests in China. The cash outflow was partially offset by (i) repayment of loans by related parties of RMB407.0 million and (ii) proceeds from the disposal of property, plant and equipment, intangible assets, investment properties and land use rights and other non-current assets of RMB124.0 million, mainly relating to our disposal and scrapping of certain old and obsolete fixed assets.

Financing Activities

Our net cash generated from financing activities primarily consists of the proceeds of borrowings from related parties and proceeds from bank borrowings. Our cash used in financing activities primarily consists of the repayment of borrowings from related parties, dividends paid to our Shareholders and repayment of bank borrowings.

In 2018, our net cash used in financing activities was RMB1,309.6 million, primarily due to (i) repayment of borrowings from related parties of RMB1,937.6 million; (ii) repayment of bank borrowings of RMB860.1 million; and (iii) dividends paid to our Shareholders of RMB611.7 million. The cash outflows were partially offset by proceeds from bank borrowings of RMB1,430.4 million and proceeds of borrowings from related parties of RMB1,047.7 million.

In 2017, our net cash used in financing activities was RMB278.9 million, primarily due to (i) repayments of bank borrowings of RMB786.1 million, (ii) dividends paid to our Company's Shareholders of RMB449.0 million, and (iii) repayment of borrowings from related parties of RMB417.5 million. The cash outflows were partially offset by (i) proceeds from bank borrowings of RMB777.4 million and (ii) proceeds of borrowings from related parties of RMB725.0 million.

In 2016, our net cash generated from financing activities was RMB1,057.7 million, primarily due to (i) proceeds from bank borrowings of RMB1,471.8 million, (ii) proceeds from capital contribution of RMB1,289.6 million, and (iii) proceeds of borrowings from related parties of RMB256.0 million. The cash inflows were partially offset by (i) repayments of bank borrowings of RMB1,421.1 million, (ii) repayment of borrowings from related parties of RMB232.6 million and (iii) dividends paid to our Shareholders of RMB150.6 million.

CURRENT ASSETS AND LIABILITIES

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	December 31,			April 30,
	2016	2017	2018	2019
	(RMB in millions)			
Current assets				
Inventories	3,293.3	3,560.3	3,582.3	4,068.5
Tax recoverable	115.3	99.1	125.3	144.7
Other current assets	6.8	7.3	12.5	5.7
Contract costs	–	–	10.9	13.9
Trade and bill receivables	2,844.0	2,817.4	3,567.4	4,051.4
Prepayments and other receivables	557.4	632.2	706.8	586.0
Loan to related parties	719.2	252.5	174.8	–
Financial asset at fair value through profit or loss	–	408.0	–	–
Derivative financial instruments	1.3	1.5	3.5	3.7
Restricted cash	84.6	172.0	140.1	203.1
Cash and cash equivalents	1,780.3	2,810.8	2,617.0	2,264.1
Assets classified as held for sale	203.8	235.3	197.9	197.9
Total current assets	**9,605.9**	**10,996.5**	**11,138.7**	**11,539.0**
Current liabilities				
Derivative financial instruments	4.2	1.4	0.4	1.8
Trade and bill payables	2,578.7	2,607.6	3,066.5	4,127.6
Other payables and accruals	1,822.6	2,670.9	1,876.2	2,170.4
Contract liabilities	660.8	801.2	586.8	623.5
Borrowings	1,013.3	2,265.9	1,980.6	1,387.2
Income tax liabilities	144.6	92.3	103.2	101.3
Provisions	104.2	114.3	132.8	137.5
Deferred income	–	–	398.9	399.0
Other current liabilities	1.6	0.1	0.2	–
Liabilities directly associated with assets classified as held for sale	–	14.9	–	–
Total current liabilities	**6,330.1**	**8,568.6**	**8,145.6**	**8,948.3**
Net current assets	**3,275.8**	**2,427.9**	**2,993.0**	**2,590.7**

Our net current asset decreased by 13.4% from RMB2,993.0 million as of December 31, 2018 to RMB2,590.7 million as of April 30, 2019, as a result of the increase in our current liabilities outpaced the increase in our current assets. The increase in our current assets was primarily attributable to (i) an increase of RMB486.2 million in inventories, mainly as a result of the anticipated increase in sales in the coming peak months, (ii) an increase of RMB484.0 million in trade and bill receivables, mainly reflecting our increased sales, partially offset by a decrease of RMB352.9 million in cash and cash equivalents, mainly as a result of repayment of borrowings and the payment for acquisition of equity interests in Qingdao Special Vehicle and Qingdao Reefer. The increase in our current liabilities was mainly attributable to (i) an increase of RMB1,061.1 million in trade and bill payables, primarily due to our increased purchase of raw materials due to our overall sales growth, especially in China and North America and preparation for anticipated increase in sales in the coming peak months, and (ii) an increase of RMB294.2 million in other payables and accruals, primarily due to a dividend of RMB400.0 million approved by our Shareholders on March 31, 2019 and paid with our own cash by June 17, 2019, partially offset by a decrease of RMB593.4 million in borrowings as we repaid certain amount of our borrowings, primarily our loans from related parties.

Our net current assets increased by 23.3% from RMB2,427.9 million as of December 31, 2017 to RMB2,993.0 million as of December 31, 2018, as a result of the increase in our current assets and the decrease in our current liabilities. The increase in our current assets was primarily attributable to an increase of RMB750.0 million in trade and bill receivables mainly reflecting our increased sales, especially in China and North America, partially offset by (i) a decrease of RMB408.0 million in financial assets at fair value through profit or loss, mainly relating to disposal of certain wealth management products and (ii) a decrease of RMB193.8 million in cash and cash equivalents, mainly as a result of dividend payment and repayment of loans due to related parties. The decrease in our current liabilities was mainly attributable to (i) a decrease of RMB794.7 million in other payables and accruals, primarily due to a decrease in dividends payable, and (ii) a decrease of RMB285.3 million in short-term borrowings mainly as a result of repayment of loans from related parties as they reached maturity, partially offset by an increase of RMB458.9 million in our trade and bill payables due to our overall growth.

Our net current assets decreased by 25.9% from RMB3,275.8 million as of December 31, 2016 to RMB2,427.9 million as of December 31, 2017, as the increase in our current liabilities outpaced the increase in our current assets. The increase in our current assets was primarily attributable to an increase of RMB1,030.5 million in cash and cash equivalents, partially offset by a decrease of RMB466.7 million in loans to related parties, as a result of our collection of loans from related parties. The increase in our current liabilities was mainly attributable to (i) an increase of RMB1,252.6 million in our borrowings, mainly as certain long-term borrowings were reclassified as short-term borrowings, and (ii) an increase of RMB848.3 million in other payables and accruals, mainly due to an increase in dividends payable.

Inventories

Our inventories mainly comprise raw materials and spare parts and components, such as steel, axles and tires, used in our production, work-in-progress and finished goods.

The following table sets forth details of our inventories as of the dates indicated:

	December 31,		
	2016	**2017**	**2018**
		(RMB in millions)	
Finished goods	1,118.7	1,494.4	1,251.5
Raw materials	1,138.2	1,246.9	1,486.1
Work-in-progress	1,035.8	854.8	834.4
Spare parts	185.4	157.5	190.7
	3,478.1	**3,753.7**	**3,762.7**
Less: Provisions for impairment	(184.8)	(193.3)	(180.4)
Total	**3,293.3**	**3,560.3**	**3,582.3**

Our inventories increased slightly from RMB3,560.3 million as of December 31, 2017 to RMB3,582.3 million as of December 31, 2018.

Our inventories increased by 8.1% from RMB3,293.3 million as of December 31, 2016 to RMB3,560.3 million as of December 31, 2017, mainly as a result of the anticipated increase in sales in China and Europe.

The following table sets forth the number of our inventory turnover days for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
		(days)	
Inventory turnover days[(1)]	88	76	62

(1) Inventory turnover days for a year equals to the average of the opening and closing inventory balances of the indicated year divided by the cost of sales for such year and multiplied by 365 days.

Our inventory turnover days decreased from 88 days in 2016 to 76 days in 2017, which further decreased to 62 days in 2018, due primarily to our business growth and the resulting faster turnover.

As of April 30, 2019, approximately RMB3,111.5 million, or 82.7%, of our inventories as of December 31, 2018, have been subsequently consumed or sold.

Trade and Bill Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Changes in our trade receivables during the Track Record Period primarily corresponded to the changes in our overall sales and revenue.

The following table sets forth details of our receivables as of the dates indicated:

	December 31,		
	2016	**2017**	**2018**
		(RMB in millions)	
Trade receivables – third parties	2,330.3	2,245.6	2,713.5
Trade receivables – related parties	59.2	72.7	72.0
Total trade receivables	**2,389.5**	**2,318.3**	**2,785.5**
Bill receivables – third parties	608.0	672.2	891.4
Bill receivables – related parties	52.0	5.5	31.6
Total bill receivables	**660.0**	**677.7**	**923.0**
Total receivables	**3,049.5**	**2,996.0**	**3,708.5**
Less: allowance for impairment	(205.5)	(178.6)	(141.1)
Net receivables	**2,844.0**	**2,817.4**	**3,567.4**

Our trade and bill receivables increased by 26.6% from RMB2,817.4 million as of December 31, 2017 to RMB3,567.4 million as of December 31, 2018, mainly reflecting our increased sales, especially in China and North America.

Our trade and bill receivables decreased slightly from RMB2,844.0 million as of December 31, 2016 to RMB2,817.4 million as of December 31, 2017, primarily due to a decrease in trade receivables from third parties as a result of our enhanced receivable collection efforts and reflecting our increased sales in the fourth quarter of 2016 in China due to implementation of GB1589-2016 in July 2016.

The following is an aging analysis based on the recognition date of trade receivables as of the respective invoice dates:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Trade receivables			
Within three months	1,579.6	1,509.3	2,274.9
Three to twelve months	482.8	586.2	326.7
One to two years	139.5	74.3	86.8
Over two years	187.6	148.4	97.1
Total	**2,389.5**	**2,318.3**	**2,785.5**

During the Track Record Period, a substantial proportion of our trade and bill receivables were outstanding for less than one year. We typically grant our customers a credit term of less than 90 days. The following table sets forth the number of turnover days for our trade and bill receivables for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(days)		
Trade and bill receivables turnover days(1)	66	53	48

(1) Trade and bill receivables turnover days for a year equals to the average of the opening and closing trade and bill receivables divided by revenue for the same year and multiplied by 365 days.

Our trade and bill receivables turnover days decreased from 2016 to 2018 due to our more effective receivable management measures.

As of April 30, 2019, approximately RMB3,019.0 million, or 81.4%, of our total trade and bill receivables as of December 31, 2018, have been subsequently settled.

Prepayments and Other Receivables

The following table sets forth details of our prepayments and other receivables as of the dates indicated:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Prepayment for raw materials	218.3	328.6	338.9
Prepayment to related parties	1.7	9.7	5.1
Prepayment for listing expense	–	–	16.9
	220.0	338.3	361.0
Less: provision for impairment	(5.8)	(8.0)	(6.5)
	214.2	**330.3**	**354.5**
Amounts due from related parties	57.3	49.5	63.9
Refundable tax	10.6	53.1	56.5
Rental and other deposits	70.9	70.9	78.9
Disbursement of vehicle loans	146.6	98.1	55.3
Other receivables from staffs and third parties	113.7	61.9	78.8
Others	72.7	61.5	81.1
	471.8	395.0	414.4
Less: Provision for impairment	(128.6)	(93.1)	(62.1)
	343.2	**301.9**	**352.3**
Net prepayments and other receivables	**557.4**	**632.2**	**706.8**

Our prepayments and other receivables increased by 11.8% from RMB632.2 million as of December 31, 2017 to RMB706.8 million as of December 31, 2018, primarily due to (i) an increase of RMB19.6 million in others mainly relating to receivables as a subsidiary sold its equity interests in a joint venture, (ii) prepayment for listing expense of RMB16.9 million in 2018 as compared to nil in 2017, (iii) an increase of RMB16.9 million in other receivables from staff and third parties, mainly relating to increased rebates from our suppliers because of our increased purchase of raw materials and (iv) an increase of RMB14.4 million in amounts due from related parties, mainly due to increased dividend receivable due from related parties, which was partially offset by decrease of RMB42.8 million in disbursement of vehicle loans principally as certain defaulted customers repaid us the outstanding amount guaranteed and payable to banks by us.

Our prepayments and other receivables increased by 13.4% from RMB557.4 million as of December 31, 2016 to RMB632.2 million as of December 31, 2017, primarily due to an increase of RMB110.3 million in the prepayment of raw materials, partially offset by (i) a decrease of RMB51.8 million in other receivables from staff and third parties as we fully recovered certain receivables from a third party who was a shareholder of SDC Trailers before our acquisition and (ii) a decrease of RMB48.5 million in disbursement of vehicle loans, principally as certain defaulted customers repaid us the outstanding amount guaranteed and payable to banks by us.

Trade and Bill Payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Our trade and bill payables primarily comprise payables for raw materials for our production.

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Third parties	2,454.2	2,564.5	2,962.6
Related parties	124.5	43.1	103.9
Total	**2,578.7**	**2,607.6**	**3,066.5**

Our trade and bill payables increased by 17.6% from RMB2,607.6 million as of December 31, 2017 to RMB3,066.5 million as of December 31, 2018, primarily due to our increased purchase of raw materials due to our overall sales growth especially in China and North America.

Our trade and bill payables increased slightly from RMB2,578.7 million as of December 31, 2016 to RMB2,607.6 million as of December 31, 2017.

The following is an aging analysis of our trade and bill payables by invoice date:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Within one month	1,115.0	1,060.5	1,786.7
One to two months	574.5	919.0	442.4
Two to three months	535.6	383.7	603.7
Over three months	353.6	244.4	233.8
Total	**2,578.7**	**2,607.6**	**3,066.5**

During the Track Record Period, a substantial proportion of our trade payables were outstanding for less than three months. We settle most of our trade payables within 30 to 90 days from receipt of supplies and invoice with cash or bank acceptance advances of a term within six months, while typically our suppliers granted us a credit term of 30 to 90 days.

The following table sets forth the turnover days of our trade and bill payables for the years indicated:

	Year ended December 31,		
	2016	2017	2018
		(days)	
Trade and bill payables turnover days[(1)]	66	57	49

(1) Trade and bill payables turnover days for a year equals the average of the opening and closing trade and bill payables divided by cost of sales for the relevant year and multiplied by 365 days.

Our trade and bill payables turnover days decreased from 66 days in 2016 to 57 days in 2017, mainly as a result of our increased purchase towards the end of 2016 due to our overall business growth driven by the implementation of GB1589-2016 in July 2016. Our trade and bill payables turnover days further decreased to 49 days in 2018, as the increases of our revenue and business growth outpaced the increases in payables, and as we expedited our payments to suppliers for procurement discount.

As of April 30, 2019, approximately RMB2,564.7 million, or 83.6%, of our trade and bill payables as of December 31, 2018, have been subsequently settled.

Other Payables and Accruals

Our payables and accruals primarily consist of payroll and welfare payables, dividends payable, accrued expenses, amounts due to related parties, deposits and temporary receipts, freights expenses accrued, deposits for quality guarantee and other taxes payables.

The following table sets forth details of our other payables and accruals as of the dates indicated:

	December 31,		
	2016	2017	2018
		(RMB in millions)	
Payroll and welfare payables	369.3	478.5	561.9
Dividends payable	47.6	721.4	–
Accrued expenses	229.0	334.8	353.8
Amounts due to related parties	358.8	458.0	270.0
Deposits and temporary receipts	76.8	98.3	146.8
Freights expenses accrued	42.3	110.9	110.2
Deposits for quality guarantees	179.6	129.2	104.0
Other taxes payables	126.3	86.7	111.6
Contingent consideration	125.5	–	–
Dividends payable to non-controlling interests	17.4	–	–
Financial guarantee for vehicle loans	39.5	22.3	23.7
Payables for equipment and land use rights	8.1	17.8	11.2
Listing expense	–	–	12.6
Others	202.6	213.2	170.3
Total	**1,822.6**	**2,670.9**	**1,876.2**

Our other payables and accruals decreased by 29.8% from RMB2,670.9 million as of December 31, 2017 to RMB1,876.2 million as of December 31, 2018, primarily due to (i) a decrease of RMB721.4 million in dividends payable, as a result of the dividend declared and settled during the year, and (ii) a decrease of RMB188.0 million in amounts due to related parties, mainly because of payments of the outstanding consideration for acquisition of our US subsidiaries.

Our other payables and accruals increased by 46.5% from RMB1,822.6 million as of December 31, 2016 to RMB2,670.9 million as of December 31, 2017, primarily due to (i) an increase of RMB673.8 million in dividends payables, (ii) an increase of RMB109.2 million in payroll and welfare payables, as the number of employees and bonus increased with the growth in our business scale, and (iii) an increase of RMB105.8 million in accrued expenses primarily in line with our business growth, partially offset by a decrease of RMB125.5 million in contingent consideration, as earn-out to the acquisition of SDC Trailers was settled in the second half of 2017.

Balances with Related Parties

We enter into transactions with our related parties from time to time. It is the view of our Director that each of the related party transactions set out in note 39 to the "Accountant's Report" in Appendix I to this prospectus was conducted in the ordinary course of business, on an arm's length basis and on normal commercial terms between us and the relevant related parties. Our Directors are also of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business, which would not distort our track record results or make our historical results unreflective of our future performance.

The following table sets forth balances with related parties as of the dates indicated:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Trade and bill receivables	111.2	78.2	103.6
Prepayments to related parties	1.7	9.7	5.1
Trade and bill payables	124.5	43.1	104.0
Cash	969.6	1,690.4	1,782.7
Loans to related parties	719.2	252.5	174.9
Other receivables	57.3	49.5	63.9
Loans from related parties	1,325.5	1,633.0	900.1
Other payables	358.8	458.0	270.0
Contract liabilities	0.8	2.5	0.3

During the Track Record Period, our trade and bill receivables from related parties mainly related to sales of semi-trailers and truck bodies. Prepayments and trade and bill payables to related parties mainly related to procurement of raw materials, parts and components. Other receivables from related parties mainly related to capital injection and deposits. Other payables to related parties mainly related to equity investments to be paid by us and advances from related parties.

Amount due from, and due to, related parties except for cash and loans to/from related parties, were unsecured, interest-free and repayable on demand.

We expect to settle our outstanding loans from related parties using cash from operations and bank loans and require repayment of our outstanding loans to related parties before the Listing.

After the Global Offering, we expect our related party transactions to continue, such as procurement and sales in the ordinary course of business on an arm's length basis and on normal commercial terms between us and the relevant parties.

Financial Asset at Fair Value through Profit or Loss

During the Track Record Period, our financial instruments requiring level 3 measurements under the fair value classification primarily included bank wealth management products we acquired from financial institutions. A financial instrument is classified as level 3 if one or more of the significant inputs is/are not based on observable market data. As of December 31, 2016, 2017 and 2018, our financial asset at fair value through profit and loss amounted to nil, RMB408.0 million and nil, respectively, which were all classified as level 3 financial assets in terms of inputs to valuation techniques used to measure fair value. See note 3.3 of the Accountant's Report included in Appendix I to this prospectus for more details of fair value measurement.

We have implemented internal procedures to ensure the reasonableness of fair value measurement on the level 3 financial assets. Our finance personnel manage the valuation of level 3 instruments for financial reporting purposes. Our finance personnel manage the valuation exercise of the financial instruments on a case-by-case basis. The valuation of our Group's bank wealth management products was performed by utilizing discounted cash flow model based on the interest rate provided by the instruments. Our Directors review the fair value measurement of level 3 financial assets, taking into account the significant unobservable inputs and the applicable valuation techniques, and determine if the fair value measurement of level 3 financial assets is in accordance with the applicable IFRS.

The reporting accountant's opinion on our historical financial information for the Track Record Period is set out in Appendix I to this prospectus.

Our Directors are satisfied with the valuation work for financial assets categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountant's Report as referred to in Appendix I to this prospectus. Having considered the unqualified opinion on the historical financial information of the Group as a whole issued by the reporting accountant included in Appendix I of this prospectus and discussed with the reporting accountant in relation to the valuation work performed by the Company during the Track Record Period for financial assets categorized within level 3 of fair value measurement, nothing has come to the Sole Sponsor's attention that would cause it to question the relevant valuation work performed on the level 3 financial assets.

INDEBTEDNESS

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our borrowings were RMB2,162.0 million, RMB2,450.2 million, RMB2,291.2 million and RMB1,618.5 million, respectively. All guaranteed bank borrowings were borrowed by our subsidiaries and guaranteed by us. As of December 31, 2016, 2017 and 2018 and April 30, 2019, the weighted average interest rate for long-term borrowings was 4.80%, 2.10%, 4.38% and 3.71%, and that for short-term borrowings was 4.42%, 4.36%, 4.02% and 4.34%, respectively.

The following table sets forth our interest-bearing bank borrowings as of the dates indicated:

	December 31,			April 30,
	2016	2017	2018	2019
				(unaudited)
	(RMB in millions)			
Long-term borrowings				
Loans from related parties[(1)]	935.0	–	79.6	–
Bank borrowings, guaranteed	213.7	184.3	231.0	231.3
Subtotal	**1,148.7**	**184.3**	**310.6**	**231.3**
Short-term borrowings				
Bank borrowings[(1)]	326.1	415.2	694.6	843.8
Bank borrowings, guaranteed	203.8	118.0	303.5	378.0
Loans from related parties[(1)]	343.6	1,613.0	655.2	85.0
Loans from related parties, guaranteed	46.9	20.0	165.3	–
Discounted bills	66.6	73.4	162.0	80.4
Interests payable	26.3	26.3	–	–
Subtotal	**1,013.3**	**2,265.9**	**1,980.6**	**1,387.2**
Total	**2,162.0**	**2,450.2**	**2,291.2**	**1,618.5**

(1) Such borrowings are unsecured and unguaranteed.

Our short-term borrowings decreased from RMB1,980.6 million as of December 31, 2018 to RMB1,387.2 million as of April 30, 2019, primarily due to (i) a decrease of RMB735.5 million in borrowing from related parties, and (ii) an increase of RMB223.7 million in bank borrowings. Our long-term borrowings decreased from RMB310.6 million as of December 31, 2018 to RMB231.3 million as of April 30, 2019, primarily due to a decrease of RMB79.6 million in borrowings from related parties.

Our long-term borrowings increased by 68.5% from RMB184.3 million as of December 31, 2017 to RMB310.6 million as of December 31, 2018, primarily due to increased loans from related parties and banks of RMB79.6 million and RMB46.7 million, respectively, which were used to repay certain amount of our short-term borrowings. Our short-term borrowings decreased by 12.6% from RMB2,265.9 million as of December 31, 2017 to RMB1,980.6 million as of December 31, 2018, primarily due to a decrease of RMB957.8 million in unsecured and unguaranteed loans from related parties as they reached maturity.

Our long-term borrowings decreased by 83.9% from RMB1,148.7 million as of December 31, 2016 to RMB184.3 million as of December 31, 2017, while our short-term borrowings increased significantly from RMB1,013.3 million as of December 31, 2016 to RMB2,265.9 million as of December 31, 2017, as we reclassified a certain amount of long-term borrowings as short-term borrowings to be due within one year.

The table below sets forth the contractual maturity date of our borrowings as of the dates indicated below:

	December 31,			April 30,
	2016	**2017**	**2018**	**2019**
	(RMB in millions)			
Within one year	1,013.3	2,265.9	1,980.6	1,387.2
One to two years	935.0	–	6.6	–
Two to five years	213.6	184.3	304.0	231.3
Total	**2,162.0**	**2,450.2**	**2,291.2**	**1,618.5**

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our borrowings with an amount of RMB1,013.3 million, RMB2,265.9 million, RMB1,980.6 million and RMB1,387.2 million, respectively, were due within one year. During the Track Record Period and up to the Latest Practicable Date, we did not have any material default on our borrowings.

As of April 30, 2019, the latest date for determining our indebtedness for the purposes of this prospectus, we had RMB4,805.5 million available bank facilities, of which RMB3,310.1 million were unutilized and unrestricted. Our Directors confirmed that there has not been any material increase in our indebtedness since April 30, 2019 to the date of this prospectus.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain other bank facilities during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have any definitive plan to issue debt securities.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there is no assurance that this will not be the case in the future.

Financial Guarantees for Vehicle Loans

We offered tripartite financing arrangements with certain PRC commercial banks and other non-bank financial institutions, to provide guarantees in respect of banking facilities granted to our customers who had drawn down loans under banking facilities to settle outstanding payables arising from purchasing vehicles from us. As of December 31, 2016, 2017 and 2018, the outstanding balance of the above guarantees provided by us to customers amounted to approximately RMB1,040.7 million, RMB1,006.3 million and RMB1,253.5 million, respectively. Under the financial guarantee arrangements, we usually require our customers to provide a counter guarantee to us such that the customers agree to be responsible for the outstanding principal, interest, penalties, legal expenses and other relevant expenses incurred, should the customers default on payments to the banks and if the proceeds from sales of repossessed vehicles are insufficient to cover the guarantee payments made by us to the banks. In the event that a customer defaults, we are entitled to repossess the product which had been purchased from us by the customer. In 2016, 2017 and 2018, due to customer default, we paid RMB36.5 million, RMB15.7 million and RMB17.4 million, respectively, to banks under the financial guarantee arrangements, which accounted for 3.5%, 1.6% and 1.4% of the outstanding balance of our guaranteed amount as of the end of the respective period. In 2016, 2017 and 2018, we collected RMB45.7 million, RMB47.9 million and RMB38.5 million, respectively, from our customers in default under the financial guarantee arrangement, which accounted for 4.4%, 4.8% and 3.1%, of the outstanding balance of our guaranteed amount as of the end of the respective years.

As of the Latest Practicable Date, our Directors confirmed that there has been no material change in our contingent liabilities since December 31, 2018.

Apart from the foregoing, as of April 30, 2019, the latest date for liquidity disclosure in this prospectus, we did not have any outstanding mortgage, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

In 2016, 2017 and 2018, our capital expenditures amounted to RMB606.7 million, RMB496.5 million and RMB869.9 million, respectively. Our capital expenditure was primarily incurred for the expansion and upgrading of our manufacturing and assembly plants. We funded these expenditures primarily with cash generated from our operations and bank borrowings.

We expect to incur capital expenditures of approximately RMB1.7 billion in 2019. These expected capital expenditures are primarily for further expansion and upgrading of our manufacturing and assembly plants in China, North America and Europe. We expect to finance our capital expenditures through cash generated from our operations, bank borrowings and net proceeds from the Global Offering. We may adjust our capital expenditures for any given period according to changes in our development plans or market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital Commitments

The following table sets forth out capital commitments for the years indicated:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Construction or purchase of buildings and purchase of land use rights	50.3	70.6	72.7

We have funded and will continue to fund a substantial portion of our capital commitments from operating cash flow and proceeds from borrowings. During the Track Record Period, our capital commitments were mainly attributable to the construction or purchase of buildings which had been authorized and contracted.

Operating Lease Commitments

We lease various buildings under non-cancellable operating leases. Generally, the vast majority of our lease agreements are renewable at the end of the term at market rates. The following table sets forth our future minimum lease payments under non-cancellable operating leases falling due as of the dates indicated:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
No later than one year	0.7	2.2	8.0
Later than one year and no later than five years	2.4	4.7	10.8
Later than five years	1.6	2.5	2.6
Total	**4.7**	**9.4**	**21.4**

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2018 and the Latest Practicable Date, other than the contingent liabilities disclosed above, we did not have any material off-balance sheet arrangement.

KEY FINANCIAL RATIOS

	As of or for the year ended December 31,		
	2016	2017	2018
Return on equity(1)	11.3%	14.4%	16.2%
Return on total assets(2)	5.5%	6.5%	7.5%
Current ratio(3)	1.5	1.3	1.4
Quick ratio(4)	1.0	0.9	0.9
Gearing ratio(5)	30.5%	35.0%	28.8%

(1) Equal to annual net profit attributable to owners of the Company divided by the average balance of our total equity attributable to owners of the Company for the beginning and the end of the year.

(2) Equal to annual net profit divided by the average balance of our total assets for the beginning and the end of the year.

(3) Equal to total current assets divided by total current liabilities.

(4) Equal to total current assets excluding inventories divided by total current liabilities.

(5) Equal to total debt divided by total equity multiplied by 100%.

Return on Equity

We achieved return on equity of 11.3%, 14.4% and 16.2% in 2016, 2017 and 2018, respectively. The continual increase in our return on equity from 2016 to 2018 was mainly due to the increased profitability of our business and a decrease in equity attributable to owners of our Company as a result of our declaration of dividends in 2017.

Return on Total Assets

We achieved return on total assets of 5.5%, 6.5% and 7.5% in 2016, 2017 and 2018, respectively. The continual increase in our return on total assets from 2016 to 2018 principally reflected the enhanced profitability of our business.

Current Ratio and Quick Ratio

Our current ratio was 1.5 times, 1.3 times and 1.4 times as of December 31, 2016, 2017 and 2018, respectively. Our quick ratio was 1.0 times, 0.9 times and 0.9 times as of December 31, 2016, 2017 and 2018, respectively. The increase in our current ratio from 2017 to 2018 was primarily due to increase in current assets mainly as a result of increased trade and bill receivables, as well as decrease in current liabilities mainly as a result of decrease in dividends payable.

The decreases in our current ratio and quick ratio from 2016 to 2017 were primarily due to our current liabilities increased at a faster rate than our current assets, mainly as a result of the reclassification of long-term borrowings to short-term borrowings, and increase in dividend payable in 2017.

Gearing ratio

Our gearing ratio was 30.5%, 35.0% and 28.8% as of December 31, 2016, 2017 and 2018, respectively. The gearing ratio decreased from 35.0% in 2017 to 28.8% in 2018, which was primarily due to increased total equity as of December 31, 2018 mainly from our increased profit for the year, while the total debt decreased mainly due to repayment of loans from related parties. The gearing ratio increased from 30.5% in 2016 to 35.0% in 2017, which was primarily due to (i) the increase in loans from related parties in 2017 and (ii) a decrease in total equity mainly resulting from dividends declared in 2017.

FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including foreign currency risk, credit risk, liquidity risk and interest rate risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance in a timely and effective manner. See note 3 in "Appendix I – Accountant's Report" to this prospectus.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our entities' respective functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposure and minimize these exposures through entering into foreign exchange forward and swap contracts. Specifically, our management set up an annual maximum foreign currency exposure and review the threshold annually. We actively monitor the movement of the foreign currency rates from time to time and report to our management for review. The terms of our hedging activities are required to be less than six months or the term of the relevant borrowings. We constantly review the market environment and our foreign exchange risk profile, and consider appropriate hedging measures when necessary. The carrying amount of our foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated balance sheets were as follows:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Assets			
US dollars	838.5	642.7	739.7
Euro	27.4	17.5	28.2
Japanese yen	5.8	11.2	30.7
HK dollars	0.3	–	1.8
Total	**872.0**	**671.4**	**800.4**
Liabilities			
US dollars	309.3	200.3	216.5
Euro	27.9	20.8	26.5
Japanese yen	1.3	1.3	–
HK dollars	0.7	0.3	0.3
Total	**339.2**	**222.6**	**243.3**

The following table shows the sensitivity analysis of a 2.5% change in Renminbi against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 2.5% change in foreign currency rates. Should Renminbi strengthen or weaken by 2.5% against the relevant currencies, the effect on post-tax profit during the Track Record Period would be as follows:

	Change of post-tax profit (decrease)/increase		
	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB against US dollar:			
Strengthened by 2.5%	(9,923)	(8,296)	(9,810)
Weakened by 2.5%	9,923	8,296	9,810
RMB against Euro:			
Strengthened by 2.5%	10	60	(32)
Weakened by 2.5%	(10)	(60)	32
RMB against Japanese yen:			
Strengthened by 2.5%	(85)	(185)	(576)
Weakened by 2.5%	85	185	576
RMB against HK dollar:			
Strengthened by 2.5%	7	6	(29)
Weakened by 2.5%	(7)	(6)	29

Interest Rate Risk

Our interest rate risk primarily arises from interest-earning bank deposits, loans to related parties and borrowings with floating and fixed rates. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose us to fair value interest rate risk.

Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates. We closely monitor trends in interest rates and their impact on our interest rate risk exposure. We use interest rate and currency swap arrangements to mitigate floating investment rate exposure for borrowings. Other than those mentioned above, we currently do not have a specified policy to monitor or manage our interest rate risk but will closely monitor our interest rate risk exposure in the future.

If the interest rates of financial instruments with a floating rate were to be 50 basis points higher or lower and all other variables were constant, the post-tax profit for the years ended December 31, 2016, 2017 and 2018 would have been higher or lower by RMB4.7 million, RMB8.0 million and RMB6.5 million, respectively.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, trade and bill receivables, other receivables and financial guarantee contracts issued. Except for the financial guarantee contracts, the carrying amounts of each class of the above financial instruments represent our maximum exposure to credit risk in relation to these financial instruments.

To manage risk arising from cash and cash equivalents and restricted cash, we only transact with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside the PRC. Accordingly, the expected credit loss is close to zero.

To manage risk arising from trade receivables, we have in place monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, we regularly review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are accounted for with respect to irrecoverable amounts.

We apply the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. In general, we consider the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses.

We have also arranged financing from banks and other non-bank financial institutions for certain purchasers of our vehicles and provided guarantees to such financial institutions to secure obligations of such purchasers for repayments. Expected credit loss for the financial guarantees has been estimated taking into account recent claim experience and supportive forwarding-looking information. If a customer defaults on the payment of its mortgage loan during the guarantee period, the bank or non-bank financial institution holding our guarantee may demand us to repay the outstanding principal of the loan and any interest accrued thereon.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, our finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes our financial liabilities into relevant maturity groups based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts set forth in the table are the contractual undiscounted cash flows:

	Less than one year	Between one and two years	Between two and five years	Total
	(RMB in millions)			
As of December 31, 2016				
Derivative financial instruments	4.2	–	–	4.2
Borrowings	1,076.3	988.3	244.1	2,308.7
Trade and bill payables	2,578.7	–	–	2,578.7
Other payables and accruals	1,058.6	–	–	1,058.6
Financial guarantee contracts issued	215.6	598.6	226.5	1,040.7
Total	4,933.4	1,586.9	470.5	6,990.8

	Less than one year	Between one and two years	Between two and five years	Total
	(RMB in millions)			
As of December 31, 2017				
Derivative financial instruments	1.4	–	–	1.4
Borrowings	2,325.3	56.8	136.4	2,518.4
Trade and bill payables	2,607.6	–	–	2,607.6
Other payables and accruals	1,748.7	–	–	1,748.7
Financial guarantee contracts issued	217.5	437.7	351.1	1,006.3
Total	6,900.4	494.4	487.4	7,882.3
As of December 31, 2018				
Derivative financial instruments	0.4	–	–	0.4
Borrowings	2,053.6	18.8	316.5	2,388.9
Trade and bill payables	3,066.5	–	–	3,066.5
Other payables and accruals	812.6	–	–	812.6
Financial guarantee contracts issued	180.3	602.1	471.1	1,253.5
Total	6,113.4	620.9	787.6	7,521.9

DIVIDEND

We currently do not have any predetermined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. In order to distribute capital return to our Shareholders in line with our growth when it is appropriate to do so, after the Listing, we expect that we may pay dividends from time to time in an aggregate amount of an appropriate percentage of our annual distributable net profits, provided that the aforesaid factors are properly taken into consideration. We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, and any other applicable PRC laws and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory common reserve fund of an amount of not less than 10% of our profit after tax, as determined under PRC Company Law; and
- allocation, if any, to a discretionary common reserve fund of an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the statutory common reserve fund is 10% of our profit after tax, as determined under PRC Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this statutory common reserve fund will be required. In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In 2016, 2017 and 2018, we declared dividends of RMB198.1 million, RMB1,122.8 million and RMB289.3 million, respectively, and settled the payment of dividends of RMB150.6 million, RMB449.0 million and RMB1,010.7 million (including the remaining dividend of RMB398.9 million which has been accounted for as a shareholder loan as of December 31, 2018 and settled in April 2019), respectively, to our Shareholders. On March 31, 2019, our Shareholders approved our plan to declare a dividend of approximately RMB400.0 million from our consolidated retained earnings as of December 31, 2018 to our existing Shareholders, which we paid with our own cash by June 17, 2019. There is, however, no assurance that we will be able to declare dividends of any amount in any future year. In addition, the declaration or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2018, our retained earnings amounted to approximately RMB3,597.4 million.

PROPERTY INTERESTS

Cushman & Wakefield, an independent property valuer, has valued our property at Plot 78/1, Jiefang No. 3, Baoshan Town, Baoshan District, Shanghai, the PRC, as of April 30, 2019. The information below is extracted from Cushman & Wakefield's valuation report, as contained in the property valuation report included in Appendix III to this prospectus, which is a summary of the valuation of such property and key parameters used by Cushman & Wakefield during the valuation process. The market value derived by Cushman & Wakefield was based on multiple assumptions subject to changes which could serve to affect the market value. See "Risk Factors–Risks Relating to Our Business–Any interference to our rights to use the land or premises on which our production facilities, warehouses and office spaces are situated may negatively impact our business and results of operations."

Property	Market value in existing state as of April 30, 2019	Valuation method and key parameters
One parcel of land with a site area of 171,264.3 square meters located at Plot 78/1, Jiefang No. 3, Baoshan Town, Baoshan District, Shanghai, the PRC	RMB281,000,000	The property has been granted with Certificate of Real Estate Ownership for its land use rights only and none of the buildings on the site have been granted with any title certificates. We have therefore assigned value to the land portion of the property but not the building portions. For the valuation of the land portion, we have used the market comparison method by making reference to comparable sales transactions as available in the market, subject to appropriate adjustments, including, but not limited to, location, accessibility, size, time and other relevant factors. This method is in line with the market practice for valuing industrial land. Notwithstanding the lack of title ownership in the building portions, the property has been let to various tenants generating rental income. We have separately valued the property on the assumption that the property had been granted with complete title certificates, all land premium and resettlement compensation and other costs had been fully settled using the investment method. This method is conducted by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary rental income potential of the property, which is a commonly used method for rental income generating properties. In arriving at the value of the property on the aforesaid basis, reference has been made to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type, subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors. The capitalization rates adopted in our valuation are based on our analysis of the yields of properties of similar type of use after due adjustments. The capitalization rates adopted are reasonable and in line with the market norm, while having regard to the analyzed yields of transactions of the relevant type of use.

A reconciliation of our selected property interests as of April 30, 2019 and such property interests in our consolidated financial statements as of December 31, 2018 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB in million)
Net book value of selected property interests as of December 31, 2018	281.9
Valuation of selected property interests as of April 30, 2019 as set out in the Property Valuation Report in Appendix III	281.0
Valuation deficit as of April 30, 2019 (unaudited)	(0.9)

Since the book value of such selected property interests is carried at fair value, the net book value of such property interests as of April 30, 2019 is RMB281.0 million, taking into consideration of valuation deficit of RMB0.9 million as of April 30, 2019.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net tangible assets which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2018, based on our audited consolidated net tangible assets attributable to the owners of our company as of December 31, 2018 as shown in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets attributable to owners of our Company as of December 31, 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets of our Group as of December 31, 2018	Unaudited pro forma adjusted net tangible assets of our Group per Share(3)	
		(RMB in millions)		RMB	HK$(5)
Based on Offer Price of HK$6.38 per H Share	6,940.2	1,401.8	8,342.0	4.73	5.37
Based on Offer Price of HK$8.08 per H Share	6,940.2	1,788.5	8,728.7	4.95	5.62

(1) Audited consolidated net tangible assets attributable to owners of our Company as of December 31, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to owners of our Company as of December 31, 2018 of RMB7,487.7 million with an adjustment for the intangible assets as of December 31, 2018 of RMB547.4 million.

(2) Our estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$6.38 and HK$8.08 per H Share, respectively, after deduction of the underwriting fees and other related expenses paid/payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company under the general mandates.

(3) The unaudited pro forma net tangible assets per Share is derived after the adjustments referred to in the preceding paragraphs and on the basis that 1,765,000,000 Shares were in issue assuming that the Global Offering has been completed on December 31, 2018 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate.

(4) No adjustment has been made to reflect any trading result or our other transactions entered into subsequent to December 31, 2018. In particular, the unaudited pro forma adjusted net tangible assets of our Group have been prepared without considering the cash dividend of RMB400.0 million approved by our Shareholders on March 31, 2019. The unaudited pro forma adjusted net tangible assets per Share would be HK$5.11 and HK$5.36 based on the Offer Price of HK$6.38 and HK$8.08 per H Share, respectively, should the above-mentioned cash dividend have been declared on December 31, 2018.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.88046.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors confirmed that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 (inclusive) of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that up to the date of this prospectus there has been no material adverse change in our financial or trading position or prospects since December 31, 2018 (being the date of our latest audited financial statements) and there has been no event since December 31, 2018 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB109.3 million (assuming an Offer Price of HK$7.23 per Offer Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option is not exercised). In 2018, we recognized RMB17.5 million of listing expenses. Out of our remaining listing expenses, (i) approximately RMB12.3 million is expected to be expensed in 2019, and (ii) approximately RMB79.5 million (including approximately RMB16.9 million which was recognized as prepayments in our consolidated balance sheets as of December 31, 2018) is directly attributable to our Listing and will be deducted from equity upon the Listing in 2019. Our Directors do not expect such expenses to materially impact our results of operations in 2019.

FUTURE PLANS

See "Business – Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,791.9 million, assuming an Offer Price of HK$7.23 per H Share (being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions, the maximum amount of incentive fee and discretionary bonus, and estimated expenses paid or payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised.

In line with our strategies, we intend to apply the net proceeds from the Global Offering for the following purposes and in the amounts set forth below:

- approximately 70% of the net proceeds, or HK$1,254.3 million, to develop new manufacturing or assembly plants in the US and Europe. We expect our global expansion plans to increase our annual production capacity for chassis trailers by 8,000 units and refrigerated trailers by 2,500 units in the US, and to increase our annual assembly capacity for (i) high-end refrigerated trailers by 2,500 units in North America and 2,000 units in Europe, (ii) curtain-side trailers by 3,000 to 3,500 units in Europe and (iii) swap bodies by 2,000 units in Europe. We expect the total costs of our following global expansion plans to be HK$1.9 billion, substantially all of which will be funded by the net proceeds from the Global Offering with the remainder by our working capital. Specifically,

  (i) approximately 25%, or HK$313.6 million, will be used to develop a new assembly plant for high-end refrigerated trailers in the southern US, which is expected to have a designed annual assembly capacity of 2,500 units on single shift. We currently do not have any assembly plant for high-end refrigerated trailers, and therefore, upon completion of such new assembly plant, our annual assembly capacity for high-end refrigerated trailers in North America will increase from none to 2,500 units on single shift in North America.

  In 2017, the overall sales volume of refrigerated trailers in North America reached 44,200 units, of which we accounted for approximately 5.9%, according to Frost & Sullivan. See "Industry Overview" for the industry trend on the sales volume of refrigerated trailers in North America from 2017 to 2022. This planned new assembly plant in the US is intended to support our launch and sale of high-end refrigerated trailers which will be manufactured in China and then assembled and delivered in the US. We believe that such new assembly plant can help us enhance our assembly and delivery capacity to meet the market demand from North America, and gain local customers' recognition of the consistency of our assembly process and product quality, particularly of our high-end refrigerated trailers. We aim to further enhance our brand name and increase our market share for refrigerated trailers in North America by capitalizing on the more automated facilities equipped in the new assembly plant as well as the higher thermal efficiency of our high-end refrigerated trailers under development that are expected to have lower heat leakage. We believe that, through product upgrading, we can effectively stimulate customer demand and increase our market share in North America.

Specifically, we expect to use such net proceeds to fund the procurement of land (approximately 9%), construction of warehouses, plant and office buildings (approximately 36%) and acquisition of equipment (approximately 55%). We expect to fully deploy the net proceeds allocated to this plan and launch this new assembly plant within the next five years;

(ii) approximately 20%, or HK$250.9 million, will be used to develop a new automated production facility for chassis trailers in the coastline regions along the eastern or southern US, which is expected to have a designed annual production capacity of 8,000 units on single shift and a total site area of over 60,000 square meters. As substantially all of our chassis trailers sold in the North American market were manufactured at our Shenzhen and Dongguan plants during the Track Record Period, assuming these two plants are fully utilized at their respective maximum capacities to produce chassis trailers solely for the North American market, the designed annual production capacity of 8,000 units on single shift of this planned new automated production facility would represent an increase of approximately 22.9% in our annual production capacity for chassis trailers for the North American market. See "Industry Overview" for the industry trend on the sales volume of chassis trailers in North America from 2017 to 2022.

This production facility will allow us to manufacture chassis trailers locally in the US and maintain closer business relationships with existing North American customers headquartered in the eastern US, rather than relying exclusively on our manufacturing capacity in China which is over-utilized. With a production facility closer to our customers in the eastern US, we can respond to local customers' needs and market changes more efficiently through frequent communications and more diverse after-sales services to deepen our market penetration and enhance customer loyalty.

This expansion plan is also intended to mitigate the adverse effects from the increase in the US import tariffs on semi-trailers and components imported from China as we increase our US production capacity. Under the 25% tariff on trailer products and parts imported from China, subject to the market demand and the price and availability of raw materials and labor resources, our enhanced local production capacity in the US for chassis trailers is expected to help us achieve total variable cost saving of approximately US$1.8 million per year, including costs for transporting our chassis trailers and parts and components from China to the US and the US import tariffs, which might be partially offset by the increase in raw material costs and manufacturing overhead expenses to be incurred for manufacturing locally in the US. The foregoing cost analysis is based on several assumptions including, in particular, that the designed capacity is fully utilized and the market demand for our products will remain stable, as compared to importing key parts and components manufactured in China for further assembly and sales in the US. As positively correlated, our cost advantage will become more apparent if the import tariff further increases.

Specifically, we expect to use such net proceeds to fund the procurement of land (approximately 8%), construction of warehouses, plant and office buildings (approximately 17%) and acquisition of manufacturing equipment and systems (approximately 75%). We expect to fully deploy the net proceeds allocated to this plan and launch this production facility by the end of 2020;

(iii) approximately 20%, or HK$250.9 million, will be used to develop a new assembly plant for high-end refrigerated trailers in the UK or Poland, which is expected to have a designed annual assembly capacity of 2,000 units on single shift. We currently do not have any assembly plant for high-end refrigerated trailers, and therefore, upon completion of such new assembly plant, our annual assembly capacity for high-end refrigerated trailers in Europe will increase from none to 2,000 units on single shift in Europe.

In 2017, the overall sales volume of refrigerated trailers in Europe reached 31,500 units, according to Frost & Sullivan. We currently do not produce or sell refrigerated trailers in Europe and mainly offer parts for refrigerated trailers to one well-known Spanish refrigerated trailer manufacturer starting from 2016. Leveraging our established local recognition for delivering high-quality products and knowledge of the European refrigerated trailer market, we aim to assemble our high-end refrigerated trailers at this new assembly plant and sell them in the European market. This planned new assembly plant in Europe is intended to support our launch and sale of our high-end refrigerated trailers which will be manufactured in China and then assembled and delivered in Europe. With an assembly plant closer to our customers in Europe, we expect to shorten our delivery time, diversify after-sales services, and enhance our ability to efficiently adapt products in response to local market changes.

Specifically, we expect to use such net proceeds to fund the procurement of land (approximately 18%), construction of warehouses, plant and office buildings (approximately 49%), and acquisition of equipment (approximately 33%). We expect to fully deploy the net proceeds allocated to this plan and launch this new assembly plant within the next five years;

(iv) approximately 15%, or HK$188.1 million, will be used to develop a new automated production facility for refrigerated trailers in Monon, the US, to replace our current assembly plant for refrigerated trailers in Monon. The new automated production facility is expected to have a total site area of approximately 350,000 square meters and a designed annual production capacity of 2,500 units on single shift, representing an increase of approximately 31.3% in our annual production capacity for refrigerated trailers.

This new production facility is intended to enhance our refrigerated trailer production capacity and increase our market share in North America by capitalizing on the more automated facilities equipped in such new production facility and the resulting improved production efficiency and lower unit production cost. In addition, with a local production facility for refrigerated trailers in the US, the potential saving of costs for transporting major parts and components for our refrigerated trailers from China and US import tariffs is expected to outpace the increases in raw material costs and manufacturing overhead expenses to be incurred for manufacturing and assembling locally in the US, as compared to manufacturing major parts and components in China for final assembly in the US.

In 2017, the overall sales volume of refrigerated trailers in North America reached 44,200 units, of which we accounted for approximately 5.9%, according to Frost & Sullivan. See "Industry Overview" for the industry trend on the sales volume of refrigerated trailers in North America from 2017 to 2022. We believe that the new automated production facility can help us enhance our production, assembly and delivery capacity to meet the market demand from North America, and gain local customers' recognition of the consistency of our manufacturing process and product quality. In particular, together with our planned new assembly plant for high-end refrigerated trailers in the US, we intend to meet diversified and changing market demand through our differentiated products with different target markets. In addition, with a production facility closer to our customers in the US, we also expect to enhance our ability to provide delivery and other services for us to maintain closer relationship with our local customers and enhance customer loyalty.

This expansion plan is also intended to mitigate the adverse effects from any increase in the US import tariffs on semi-trailers and components imported from China as we increase our US production capacity. Under the 25% tariff on trailer products and parts imported from China, subject to the market demand and price and availability of raw materials and labor, our enhanced local production capacity is expected to help us achieve total variable cost saving of approximately US$3.7 million per year. The foregoing cost analysis is based on several assumptions, including, in particular, that the designed capacity is fully utilized and the market demand for our products will remain stable, as compared to manufacturing major parts and components for refrigerated trailers in China for final assembly in the US. Being positively correlated, our cost advantage will become more apparent if the import tariff further increases.

Specifically, we expect to use such net proceeds to fund the procurement of land (approximately 13%), construction of warehouses, plant and office buildings (approximately 25%) and acquisition of manufacturing equipment and systems (approximately 62%). We expect to fully deploy the net proceeds allocated to this plan and launch this production facility by the end of 2021;

(v) approximately 15%, or HK$188.1 million, will be used to develop a new assembly plant for curtain-side trailers in the Midlands region of the UK, which is expected to have a designed annual assembly capacity of 7,000 units on single shift and a total site area of approximately 60,000 square meters. We currently do not have a standalone assembly plant for curtain-side trailers in Europe. The designed annual assembly capacity of 7,000 units on single shift will be allocated between replacing the assembly line for curtain-side trailers in our manufacturing plant in Belfast, the UK and supporting the assembly of our curtain-side trailers manufactured in China and then assembled and delivered in Europe. We estimate that the net increase in the designed annual assembly capacity for curtain-side trailers in Europe is therefore around 3,000 to 3,500 units on single shift. Assuming our Gdynia plant is fully utilized at its maximum capacity to only assemble curtain-side trailers, the net increase in designed annual assembly capacity of around 3,000 to 3,500 units on single shift would represent an increase of approximately 120.0% to 140.0% in our annual assembly capacity for curtain-side trailers in Europe.

In 2017, the overall sales volume of curtain-side trailers in Europe reached 106,000 units, of which we accounted for 3.3%, according to Frost & Sullivan. See "Industry Overview" for the industry trend on the sales volume of curtain-side trailers in Europe from 2017 to 2022. This new assembly plant is intended to help us increase our market share for curtain-side trailers in Europe, in particular the UK, where we have established presence and there is relatively high market demand for curtain-side trailers as they are widely used in road transportation, as well as other neighboring countries such as the Scandinavian region, where we anticipate to enter considering its proximity to this new assembly plant and the relatively high market demand in this region sustained by its economic stability. We plan to leverage the expertise and capacity of SDC Trailers for manufacturing curtain-side trailers and capitalize on the more automated facilities equipped in such new assembly plant and the resulting improved assembly efficiency and lower unit production cost. We believe that the new automated assembly plant with upgraded facilities can help us enhance our assembly and delivery capacity to meet local market demand, and gain local customers' recognition of the consistency of our assembly process and product quality. In addition, with an assembly plant closer to our customers in Europe, we also expect to enhance our ability to provide delivery and other relevant services for us to maintain closer relationship with our local customers and enhance customer loyalty.

Specifically, we expect to use such net proceeds to fund the procurement of land (approximately 20%), construction of warehouses, plant and office buildings (approximately 60%) and acquisition of equipment (approximately 20%). We expect to fully deploy the net proceeds allocated to this plan and launch this assembly plant by the end of 2021; and

(vi) approximately 5%, or HK$62.7 million, will be used to develop a new assembly plant for swap bodies in the Netherlands, which is expected to have a designed annual assembly capacity of 2,000 units on single shift and a total site area of approximately 60,000 square meters. We currently do not have a standalone assembly plant for swap bodies for Europe. Assuming our Gdynia plant is fully utilized at its maximum capacity to only assemble swap bodies, a designed annual assembly capacity of 2,000 units on single shift of this planned new assembly plant will represent an increase of approximately 80.0% in our annual assembly capacity for swap bodies in Europe.

In 2017, the overall sales volume of swap bodies in Europe reached 16,300 units, of which we accounted for approximately 2.2%, according to Frost & Sullivan. This new assembly plant is intended to further promote our swap body products and increase our market share and production and delivery capacity for swap bodies in Europe to capture local demand. We believe that the new automated assembly plant with upgraded facilities can help us enhance our assembly capacity to meet local market demand, and gain local customers' recognition of the consistency of our assembly process and product quality. In addition, with a local assembly plant closer to our customers in Europe, we also expect to shorten our delivery time, diversify after-sales services, and enhance our ability to efficiently adapt products in response to local market changes.

Specifically, we expect to use such net proceeds to settle the payment for our procurement of a parcel of land with plant thereon in Pijnacker, close to Rotterdam (approximately 73%) and to fund acquisition of equipment (approximately 27%). We expect to fully deploy the net proceeds allocated to this plan and launch this assembly plant by the end of 2019;

- approximately 10% of the net proceeds, or HK$179.2 million, to research and develop new products, of which:

(i) approximately 40%, or HK$71.7 million, will be used to develop high-end refrigerated trailers, which are expected to be equipped with (a) foamed panels with lower heat leakage and better refrigerating performance utilizing advanced technologies and techniques in the foaming process, (b) improved interior structural design to ensure even flow of cooling air, and (c) multiple built-in electronic parts and smart sensors to monitor and control the temperature inside;

(ii) approximately 20%, or HK$35.8 million, will be used to develop other smart trailers, such as self-driving terminal trailers, within the next two years;

(iii) approximately 20%, or HK$35.8 million, will be invested in product standardization, unit weight reduction and modulization in our European and US plants within the next two years; and

(iv) approximately 20%, or HK$35.8 million, will be used to develop other trailer products within the next three years.

- approximately 10% of the net proceeds, or HK$179.2 million, to repay the principal amount and interests on our following bank borrowings:

Bank	Maturity date	Interest rate
Bank Mendes Gans N.V.	November 2019	4.80%
ING Bank N.V.	June 2021	1.48% plus one-month LIBOR
China Everbright Bank	June 2021	110% of the three-yearx benchmark lending rate in China

- approximately 10% of the net proceeds, or HK$179.2 million, for working capital and general corporate purposes.

If the Offer Price is fixed at HK$8.08 per H Share, being the high end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be increased by approximately HK$219.6 million. If the Offer Price is fixed at HK$6.38 per H Share, being the low end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be reduced by approximately HK$219.6 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$532.7 million (assuming an Offer Price of HK$8.08 per H Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$280.2 million (assuming an Offer Price of HK$7.23 per H Share, being the mid-point of the Offer Price range stated in this prospectus).

Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purpose accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we intend to place such proceeds in short-term interest-bearing instruments, such as liquid fixed-income securities, short-term bank deposits or money market instruments with licensed banks or financial institutions in Hong Kong or China so long as it is deemed to be in the best interests of the Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**") who have agreed to subscribe at the Offer Price for such number of our Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$85.0 million (or approximately HK$666.5 million).

Based on the Offer Price of HK$6.38 (being the minimum price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 104,468,500, representing approximately (i) 5.92% of the Shares in issue upon the completion of the Global Offering and 39.42% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 5.79% of the Shares in issue upon completion of the Global Offering and 34.28% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised. Based on the Offer Price of HK$8.08 (being the maximum price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 82,488,500, representing approximately (i) 4.67% of the Shares in issue upon the completion of the Global Offering and 31.13% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 4.57% of the Shares in issue upon completion of the Global Offering and 27.07% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

To the best knowledge of our Company, the Cornerstone Investors are independent of our Company, our connected persons and their respective associates. The Cornerstone Investors will acquire the Offer Shares at the Offer Price pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investors (a) will not have any representation on the Board or become a Substantial Shareholder of our Company upon completion of the Global Offering, (b) will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreements and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around July 10, 2019.

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors:

		Based on the Offer Price of HK$7.23 (being the mid-point of the Offer Price range)[(1)]							
Cornerstone Investor	Investment amount	Number of Offer Shares to be acquired[(2)]	Approximate % of total number of Offer Shares (assuming that the Over-allotment Option is not exercised)	Approximate % of total number of Offer Shares (assuming that the Over-allotment Option is fully exercised)	Approximate % of total Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate % of total Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)	Approximate % of H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate % of H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)
SAIC Motor HK Investment Limited[(3)]	US$50,000,000	54,227,500	20.46%	17.79%	3.07%	3.00%	9.62%	8.98%
Hong Kong Tiancheng Investment & Trading Co. Limited[(3)]	US$35,000,000	37,959,000	14.32%	12.46%	2.15%	2.10%	6.73%	6.29%

(1) Calculated based on the exchange rates of HK$7.8413 to US$1.00 and RMB0.88046 to HK$1.00 as described in the section headed "Information about this Prospectus and the Global Offering-Exchange Rate Conversion". The actual number of Shares allocated to each Cornerstone Investor may vary due to the actual exchange rate as determined pursuant to the terms of the Cornerstone Investment Agreement.

(2) Subject to rounding down to the nearest whole board lot of 500 H Shares.

(3) The investment amount excludes brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee which the investor will pay in respect of the Shares subscribed.

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

SAIC Motor HK Investment Limited (上海汽車香港投資有限公司) ("SAIC HK")

SAIC HK is a company incorporated under the laws of Hong Kong on June 26, 2009 and a wholly-owned subsidiary of SAIC Motor Corporation Limited ("**SAIC Motor**"). SAIC HK is the overseas investment and financing platform of SAIC Motor and mainly conducts SAIC Motor's overseas investment activities. SAIC Motor is one of the largest domestic automobile groups in terms of sales and manufacturing scale by far, and the largest automobile company listed in A share market in terms of market capitalization as of the Latest Practicable Date. SAIC Motor's principal activities include: research and development (R&D), production and sales of vehicles; promotion of the commercialization of new-energy vehicles and internet of vehicles, and implementation of technical research and industrialization exploration such as intelligent driving; R&D, production and sales of spare parts; automobile-related businesses such as logistics, e-commerce, mobility services, energy-saving and charging services; automobile-related finance, insurance and investment businesses; overseas business and international trade; and development of industrial big data and artificial intelligence.

SAIC-Iveco Hongyan Commercial Vehicle Co., Ltd. ("**SAIC Hongyan**"), a company established under the laws of the PRC and a subsidiary of SAIC Motor, was one of our customers and suppliers during the Track Record Period. Our transactions with SAIC Hongyan were negotiated on an arm's length basis and were conducted in the ordinary course of business and on normal commercial terms.

On June 4, 2019, our Company and SAIC Hongyan entered into a business cooperation memorandum (the "**Cooperation Memo**") on an arm's length basis. Pursuant to the Cooperation Memo, our Company and SAIC Hongyan agreed to establish and deepen cooperation in the development, assembly and marketing of a variety of products, including primarily tank trailers, dump trucks, mixer trucks, curtain-side trailers and refrigerated trailers.

The Cooperation Memo intends to identify potential areas for future cooperation. We and SAIC Hongyan will further discuss and negotiate specific cooperation arrangements and the agreements, if entered into, will be negotiated on an arm's length basis and on normal commercial terms.

Hong Kong Tiancheng Investment & Trading Co. Limited ("Tiancheng Investment")

Tiancheng Investment is a company incorporated under the laws of Hong Kong which is primarily engaged in sale of tires and rubber products.

Tiancheng Investment is a wholly-owned subsidiary of Shandong Linglong Tire Co., Ltd. ("**Linglong**"), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 601966) which is primarily engaged in the design, development, manufacturing and distribution of tires. Linglong was one of our suppliers during the Track Record Period and primarily supplied tires to us. Our transactions with Linglong were negotiated on an arm's length basis and were conducted in the ordinary course of business and on normal commercial terms.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Listing Committee having granted the listing of, and permission to deal in, the H Shares, as well as other applicable waivers and approvals, and that such approval, permission or waiver not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(c) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the cornerstone investment agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(d) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investors under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investors.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the H Shares it has purchased pursuant to the relevant cornerstone investment agreement or any interest in any company or entity holding such H Shares, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investors, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
ICBC International Securities Limited
Nomura International (Hong Kong) Limited
ING Bank N.V.
GoldBridge Hong Kong Securities Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 26,500,000 Hong Kong Offer Shares and the International Offering of initially 238,500,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering", as well as to the Over-allotment Option in the case of the International Offering. Of the 238,500,000 Offer Shares initially being offered under the International Offering, 16,666,000 Offer Shares will be offered to Qualifying CIMC Shareholders pursuant to the Preferential Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 26, 2019. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares to be converted from the Unlisted Foreign Shares and to be offered pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Representative (for itself and on behalf of the Hong Kong Underwriters), shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into force:

(i) any new law or regulation or any change or development involving a prospective change in any existing law or regulation or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, or any member of the European Union relevant to any member of the Group or its business operations (collectively, the "Relevant Jurisdictions" and each, a "Relevant Jurisdiction"); or

(ii) any change or development, or any event or circumstance or series of events or circumstances resulting or likely to result in or representing a change or development, in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including, but not limited to, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in, securities generally on the Hong Kong Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent government authority), New York (imposed at Federal or New York State level), London or any other Relevant Jurisdictions (declared by the relevant authorities), or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) any change or development or event in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar, or a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vi) any imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(viii) any event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, economic sanction, crisis, public disorder, epidemic (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Influenza A (H5N1), H1N1, swine or avian influenza (H7N9) or such related/mutated forms), pandemic, outbreak of infectious disease, earthquake, act of terrorism (whether or not responsibility has been claimed), flooding, earthquake, tsunami or lock-out; or

(ix) that there is any Material Adverse Change, or any development involving a prospective Material Adverse Change or development, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of the Group or any present or prospective shareholder of our Company in its capacity as such; or

(x) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, Application Forms or offering circular (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior written consent of the Sole Sponsor and the Sole Representative provided that such consent shall not be unreasonably withheld; or

(xi) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of this prospectus, the Application Forms and the formal notice in connection with the Hong Kong Public Offering (the "Hong Kong Public Offering Documents"), the application proof prospectus and the post-hearing information pack (the "Hong Kong Information Pack"); or

(xii) any change, development or event involving actual materialization of, any of the risks set out in "Risk Factors" in this prospectus; or

(xiii) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything equivalent thereto occurs in respect of any member of the Group; or

(xiv) any contravention by any member of the Group or any Director of the Listing Rules, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the PRC Company Law or other applicable laws; or

(xv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xvi) noncompliance of this prospectus (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any material aspect of the Global Offering with the Listing Rules, the Companies (Winding up and Miscellaneous Provisions) Ordinance or any other applicable laws; or

(xvii) any litigation or other legal or regulatory proceeding being threatened or instigated against (i) any member of the Group; or (ii) any Director to the extent such litigation or proceeding calls or could call into question such Director's qualifications to act as a director under the Listing Rules or the PRC Company Law; or

(xviii) any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator in any Relevant Jurisdiction commencing any investigation or other regulatory action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or CIMC; or

(xix) the chairman or chief executive officer of our Company or any Director vacating his or her office; or

(xx) any Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of our Company or a listed company,

and which, individually or in the aggregate, in the sole and absolute opinion of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) after prior consultation with our Company,

(A) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Company or any member of the Group; or

(B) has or will or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will or is likely to make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the International Offering to proceed as envisaged or to market the Global Offering or deliver the Offer Shares on the terms and in the manner as contemplated by the this prospectus; or

(D) has or will or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or (ii) preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Representative:

(i) that any statement contained in the Hong Kong Public Offering Documents, the Hong Kong Information Pack, the formal notice in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "Hong Kong Offering Documents") (but excluding information relating to the Underwriters) was, when it was issued, incomplete, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Hong Kong Offering Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) that any of the representations, warranties, agreements and undertakings given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is or becomes untrue, incorrect or incomplete in any material respect or misleading in any respect; or

(iii) that there is a material breach of any provisions of, or any obligations imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than obligations imposed upon any of the Joint Global Coordinators, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or

(iv) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into have been withdrawn, terminated, canceled or otherwise not fulfilled; or

(v) that the investment commitments by any cornerstone investor after signing of agreements with such cornerstone investor have been withdrawn, terminated, canceled or otherwise not fulfilled; or

(vi) any of the experts specified in this prospectus or other person whose consent is required for the issue of this prospectus (other than the Sole Sponsor) with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in, or to the issue of, this prospectus; or

(vii) that the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from the Unlisted Foreign Shares on the Main Board of the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld; or

(viii) that our Company withdraws any of the Hong Kong Public Offering Documents, the Preferential Offering documents, the preliminary offering circular, the final offering circular and/or the disclosure package or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement or arrangement to such an issue (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the issue of additional H Shares pursuant to the exercise of the Over-allotment Option) or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to each of the Stock Exchange and our Company that, except, in the case of CIMC HK, pursuant to any lending of H Shares pursuant to the Stock Borrowing Agreement, it will not (and will procure that the relevant registered holder(s) will not) without the prior written consent of the Stock Exchange or unless otherwise permitted under the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by a Controlling Shareholder and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings provided to the Hong Kong Underwriters

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), not to, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the "First Six-Month Period"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, as applicable) or deposit any Shares (including any H Shares) or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts;

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company);

(iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or

(iv) offer or agree or contract to effect any transaction set out in paragraphs (i), (ii) or (iii) above or publicly announce any intention to do so,

in each case, whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option). In the event that, during the six-month period commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), our Company enters into any of the transactions set out in paragraphs (i), (ii) or (iii) above or offers or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, our Company will take all reasonable steps to ensure compliance with applicable legal and regulatory requirements relating to the avoidance of creating a disorderly or false market in the Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders undertakes to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Underwriters), save for, in the case of CIMC HK, any lending of H Shares pursuant to the Stock Borrowing Agreement, it shall not, and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the H Shares commence on the Stock Exchange (the "First Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any Shares or other securities of us or any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or other securities of us or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement on the Price Determination Date with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. See "Structure of the Global Offering – The International Offering" in this prospectus.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters), pursuant to which the Company may be required to issue up to an aggregate of 39,750,000 H Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering – Over-allotment Option" in this prospectus.

Commissions and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, our Company will pay an underwriting commission to the International Underwriters at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, our Company may, at its sole and absolute discretion, also pay (i) to the Hong Kong Underwriters (in such proportions as our Company may solely determine) an incentive fee of up to 0.5% of the aggregate Offer Price in respect of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering); and (ii) to any or all of the Underwriters an additional discretionary bonus of up to HK$10.0 million.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to our H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of our H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our H Shares (which financing may be secured by our H Shares) in the Global Offering, proprietary trading in our H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our H Shares, which may have a negative impact on the trading price of our H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares to be converted from the Unlisted Foreign Shares and to be offered pursuant to the Global Offering as described in this prospectus.

The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 26,500,000 H Shares (subject to adjustment) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 238,500,000 H Shares (subject to adjustment and the Over-allotment Option) (a) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S and (b) in the United States to QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, as described in "– The International Offering" below.

Of the 238,500,000 Offer Shares initially being offered under the International Offering, 16,666,000 Offer Shares will be offered to Qualifying CIMC Shareholders as an Assured Entitlement as described in "– The Preferential Offering".

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both (except that Qualifying CIMC Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible; or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so).

The Offer Shares will represent approximately 15.01% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.89% of the issued share capital of us immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering and the Preferential Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 26,500,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of H Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 1.50% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong, as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 13,250,000 Hong Kong Offer Shares (being 50% of the 26,500,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times and (iii) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 79,500,000 Offer Shares (in the case of (i)), 106,000,000 Offer Shares (in the case of (ii)) and 132,500,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative deems appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Representative.

If the Hong Kong Public Offering is not fully subscribed, the Sole Representative has the discretion (but not the obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Representative deems appropriate. In addition, the Sole Representative may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed, then up to 26,500,000 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 53,000,000 H Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK$6.38 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus) in accordance with Guidance Letter HKEx-GL91-18.

In the event that both the Hong Kong Public Offering and the International Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

The Reserved Shares which are offered under the Preferential Offering to Qualifying CIMC Shareholders out of the Offer Shares being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$8.08 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$4,080.71 for one board lot of 500 H Shares. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" below, is less than the Maximum Offer Price of HK$8.08 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable CIMC H Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying CIMC Shareholders are being invited to apply for an aggregate of 16,666,000 Reserved Shares in the Preferential Offering as Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "– The Hong Kong Public Offering – Reallocation" above.

With a view to maintaining at least the minimum prescribed percentage of our Shares in the hands of the public in compliance with the Listing Rules immediately after the Global Offering and to maximize the opportunity of the public to participate in the Global Offering, no Reserved Shares will be offered to our connected persons or persons who will become connected persons of our Company immediately upon completion of the Global Offering to the extent that they are Qualifying CIMC Shareholders. Instead, Reserved Shares to which such Qualifying CIMC Shareholders would have been entitled will be reallocated and offered to the other Qualifying CIMC Shareholders under the Preferential Offering on an equitable basis.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 103 CIMC H Shares held by Qualifying CIMC Shareholders as of 4:30 p.m. on the Record Date.

Qualifying CIMC Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 500 H Shares. Further, the Reserved Shares allocated to the Qualifying CIMC Shareholders will be rounded down to the closest whole number if required. No odd lot matching services will be provided and dealings in odd lots of our H Shares may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying CIMC Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying CIMC Shareholders who hold less than 103 CIMC H Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

Qualifying CIMC Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying CIMC Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying CIMC Shareholder applies for a number of Reserved Shares which is greater than the Qualifying CIMC Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below).

Where a Qualifying CIMC Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying CIMC Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you are a Qualifying CIMC Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for.

To the extent that the excess applications for the Reserved Shares are:

(a) less than the Reserved Shares not taken up by the Qualifying CIMC Shareholders' Assured Entitlement (the "Available Reserved Shares"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Representative, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there are any H Shares remaining after satisfying the excess applications, such H Shares will be reallocated, at the discretion of the Sole Representative, to the International Offering. No preference will be given to any excess application made to top up odd lot holdings to whole lot holdings of H Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial CIMC Shareholders (not being Non-Qualifying CIMC Shareholders) whose CIMC H Shares are held by a nominee company should note that our Company will regard the nominee company as a single CIMC H Shareholder according to the register of members of CIMC. Accordingly, such Beneficial CIMC Shareholders whose CIMC H Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial CIMC Shareholders (not being Non-Qualifying CIMC Shareholders) whose CIMC H Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant CIMC H Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying CIMC Shareholders for the Hong Kong Offer Shares

In addition to any application for Reserved Shares made on the **BLUE** Application Form, Qualifying CIMC Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **White Form eIPO** service. Qualifying CIMC Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Qualifying CIMC Shareholders and Non-Qualifying CIMC Shareholders

Only CIMC H Shareholders whose names appeared on the register of members of CIMC at 4:30 p.m. on the Record Date and who are not Non-Qualifying CIMC Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying CIMC Shareholders are those CIMC H Shareholders with registered addresses in, or who are otherwise known by CIMC to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of CIMC and our Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant CIMC H Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of CIMC and our Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the CIMC H Shareholders in the Specified Territories. Having considered the circumstances, the directors of CIMC and our Company have formed the view that it is necessary or expedient to restrict the ability of CIMC H Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which our Company and the CIMC H Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying CIMC Shareholders are:

(a) CIMC H Shareholders whose names appeared in the register of members of CIMC on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) CIMC H Shareholders or Beneficial CIMC Shareholders on the Record Date who are otherwise known by CIMC to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, our Company reserves the right to permit any CIMC H Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Beneficial CIMC Shareholders who hold CIMC H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

Our Company has been advised by our Company's PRC legal advisors that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Program, China Securities Depositary and Clearing Corporation does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial CIMC Shareholders who hold CIMC H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Distribution of this prospectus and the BLUE Application Forms

A **BLUE** Application Form and a copy of this prospectus have been despatched to each Qualifying CIMC Shareholder according to their address as shown in the register of members of CIMC on the Record Date. For further details, see "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus and on the **BLUE** Application Forms.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

The International Offering will consist of an offering of initially 238,500,000 H Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Offer Shares.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) at any time during the 30 day period from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 39,750,000 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be offered pursuant thereto will represent approximately 2.20% of the issued share capital of our Company immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. The Stabilizing Manager may also cover such over-allocations by purchasing H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of our H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of prevailing or retarding a decline in the market price of our H Shares while the Global Offering is in progress. Any market purchases of our H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, (i) will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and in what the Stabilizing Manager reasonably regards as the best interest of us, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days from the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing, or agreeing to purchase, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in our H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our H Shares;

- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on August 2, 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;

- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, through the stock borrowing arrangement as detailed below, a combination of these means or other legally permitted means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of H Shares which can be over-allocated will not exceed the number of H Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 39,750,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 39,750,000 H Shares (being the maximum number of H Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and CIMC HK on or about the Price Determination Date, or acquire H Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with CIMC HK is entered into, it will only be effected by the Stabilizing Manager or any person acting for it for the settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of H Shares so borrowed must be returned to CIMC HK or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to CIMC HK by the Stabilizing Manager or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about July 3, 2019 and, in any event, not later than July 10, 2019, by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and us, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$8.08 per Offer Share and is expected to be not less than HK$6.38 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$8.08 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$4,080.71 for one board lot of 500 H Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Representative (for itself and on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of us, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) cause notice of the reduction to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.cimcvehiclesgroup.com**;

(b) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require updating investors of the change in the number of Offer Shares offered and/or the Offer Price range together with an update of all financial and other information in connection with such change;

(c) extend the period under which the Global Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(d) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such notice and supplemental prospectus, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and us, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and us, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares under the Preferential Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares and Reserved Shares – H. Despatch/Collection of H Share Certificates and Refund Monies".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Sole Representative (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares to be converted from the Unlisted Foreign Shares and to be offered pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn;

(ii) the Offer Price having been agreed between us and the Sole Representative (for itself and on behalf of the Underwriters);

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Representative (for itself and on behalf of the Underwriters) on or before July 10, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and us at **www.cimcvehiclesgroup.com** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares – H. Despatch/Collection of H Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid at 8:00 a.m. on July 11, 2019 provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting" has not been exercised.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, July 11, 2019, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, July 11, 2019.

Our H Shares will be traded in board lots of 500 H Shares each and the stock code of our H Shares will be 1839.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S), and a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Representative may accept it at its discretion and on any conditions it think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form during normal business hours from 9:00 a.m. on Thursday, June 27, 2019 until 12:00 noon on Wednesday, July 3, 2019 from:

(i) any of the following offices of the Joint Global Coordinators:

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
ICBC International Capital Limited	37/F ICBC Tower 3 Garden Road Hong Kong
Nomura International (Hong Kong) Limited	30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong

(ii) any of the following branches of the receiving banks:

Industrial and Commercial Bank of China (Asia) Limited:

	Branch Name	Address
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong
	Wanchai Road Branch	G/F Times Media Centre, No. 133 Wan Chai Road, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
Kowloon	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
	Yaumatei Branch	542 Nathan Road, Yaumatei, Kowloon
	Tsimshatsui Branch	Shop 1&2, G/F, No. 35-37 Hankow,Road, Tsimshatsui, Kowloon
	Prince Edward Branch	777 Nathan Road, Mongkok, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan, Kowloon

	Branch Name	Address
New Territories	Yuen Long Branch	G/F, 197-199 Castle Peak Road, Yuen Long, New Territories
	Sheung Shui Branch	Shop 2, G/F, San Fung Building, No. 33 San Fung Avenue, Shek Wu Hui, Sheung Shui, New Territories

Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Yaumatei Branch	G/F – 1/F, Ming Fong Bldg., 564 Nathan Road, Yaumatei
	Tsimshatsui Branch	Shop G30 & B117-23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui

	Branch Name	Address
New Territories	Tai Po Branch	G/F Shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po
	Fotan Branch	No.3, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, June 27, 2019 until 12:00 noon on Wednesday, July 3, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – CIMC Vehicles Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Thursday, June 27, 2019 – 9:00 a.m. to 5:00 p.m.
- Friday, June 28, 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, June 29, 2019 – 9:00 a.m. to 1:00 p.m.
- Tuesday, July 2, 2019 – 9:00 a.m. to 5:00 p.m.
- Wednesday, July 3, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, July 3, 2019, the last day for applications or such later time as described in "Effect of Bad Weather on the Opening and Closing of the Application Lists" in this section.

4. Terms and Conditions of an Application

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Representative (or its agents or nominees), as agent(s) of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have relied only on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters, any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering (except in respect of Reserved Shares pursuant to the Preferential Offering);

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters, and any of their respective directors, officers, employees, agents or advisors any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters, and any of their respective directors, officers, employees, agents or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S and are not a U.S. person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members of H Share as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that except for an application made by a Qualifying CIMC Shareholder under the Preferential Offering, this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Representative will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service by you or by anyone as your agent or by any other person (except in respect of application for Reserved Shares pursuant to the Preferential Offering); and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC (except in respect of application for Reserved Shares pursuant to the Preferential Offering); and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. Applying through the White Form eIPO Service

General

Individuals who meet the criteria in "– Who can apply" may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, June 27, 2019 until 11:30 a.m. on Wednesday, July 3, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, July 3, 2019 or such later time under the "Effect of Bad Weather on the Opening and Closing of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "CIMC Vehicles (Group) Co., Ltd." **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. Applying by giving Electronic Application Instructions to HKSCC Via CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square 8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Representative and our H Share Registrar.

Giving Electronic Application Instructions To HKSCC Via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;

- **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- **confirm** that you understand that our Company, our Directors and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorize** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose your personal data to our Company, our H Share Registrar, receiving banks, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instructed** and **authorized** HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates[(1)]:

- Thursday, June 27, 2019 – 9:00 a.m. to 8:30 p.m.

- Friday, June 28, 2019 – 8:00 a.m. to 8:30 p.m.

- Saturday, June 29, 2019 – 8:00 a.m. to 1:00 p.m.

- Tuesday, July 2, 2019 – 8:00 a.m. to 8:30 p.m.

- Wednesday, July 3, 2019 – 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, June 27, 2019 until 12:00 noon on Wednesday, July 3, 2019 (24 hours daily, except on Wednesday, July 3, 2019, the last day for applications).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, July 3, 2019, the last day for applications or such later time as described in "Effect of Bad Weather on the Opening and Closing of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, July 3, 2019.

8. How many Applications can you make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying CIMC Shareholder applying for Reserved Shares under the Preferential Offering on the **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "*Structure of the Global Offering – The Preferential Offering*".

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARES

1. Who can Apply

Only CIMC H Shareholders whose names appeared on the register of members of CIMC on the Record Date and who are not Non-Qualifying CIMC Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying CIMC Shareholders are those CIMC H Shareholders with registered addresses in, or who are otherwise known by CIMC to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of CIMC and our Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant CIMC H Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of CIMC and our Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the CIMC H Shareholders in the Specified Territories. Having considered the circumstances, the directors of CIMC and our Company have formed the view that it is necessary or expedient to restrict the ability of CIMC H Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which our Company and the CIMC H Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying CIMC Shareholders are:

(a) CIMC H Shareholders whose names appeared in the register of members of CIMC on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) CIMC H Shareholders or Beneficial CIMC Shareholders on the Record Date who are otherwise known by CIMC to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, our Company reserves the right to permit any CIMC H Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, CIMC has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any CIMC H Shares on behalf of the Non-Qualifying CIMC Shareholders, they are excluded from participating in the Preferential Offering.

Qualifying CIMC Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 103 CIMC H Shares held by them on the Record Date.

Qualifying CIMC Shareholders who hold less than 103 CIMC H Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorized person under a valid power of attorney, our Company and the Sole Representative, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. Our Company and the Sole Representative, as our Company's agent, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive of our Company and/or any of our Company's subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- a close associate of any of the above persons; or
- a Non-Qualifying CIMC Shareholder.

2. How to Apply

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying CIMC Shareholders using **BLUE** Application Forms which have been despatched to Qualifying CIMC Shareholders by the Company.

Qualifying CIMC Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying CIMC Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying CIMC Shareholder applies for a number of Reserved Shares which is greater than the Qualifying CIMC Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject to terms and conditions mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying CIMC Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying CIMC Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you are a Qualifying CIMC Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Representative, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any H Shares remaining after satisfying the excess applications, such H Shares will be reallocated, at the discretion of the Sole Representative, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of H Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying CIMC Shareholders who have applied for Reserved Shares under the Preferential Offering on the **BLUE** Application Form may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying CIMC Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Persons who held their CIMC H Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their CIMC H Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. Distribution of this prospectus and the Blue Application Forms

The **BLUE** Application Forms and this prospectus have been despatched to all Qualifying CIMC Shareholders to their address recorded on the register of members of CIMC on the Record Date.

Qualifying CIMC Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying CIMC Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of CIMC and our Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. Applying by using Blue Application Forms

(a) The **BLUE** Application Form will be rejected by our Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
- the check/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form for either Reserved Shares pursuant to the Assured Entitlement or excess Reserved Shares is not accompanied with a check/banker's cashier order or is accompanied by more than one check/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;
- the account name on the check/banker's cashier order is not preprinted or certified by the issuing bank;
- the check/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the check/banker's cashier order is not "ICBC (Asia) Nominee Limited – CIMC Vehicles Public Offer";
- the check has not been crossed "Account Payee Only";
- the check was postdated;
- the applicant's payment is not made correctly or if the applicant pays by check or banker's cashier order the check or banker's cashier order is dishonored on its first presentation;

- the applicant's name/the first applicant's name on the joint application is not the same as the name preprinted or certified/endorsed by the drawee bank on the check/banker's cashier order;

- any alteration(s) to the application details on the **BLUE** Application Form has or have not been authorized by the signature(s) of the applicant(s);

- our Company believes that by accepting the application, our Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or

- our Company and the Sole Representative, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(b) If you are applying by using the **BLUE** Application Form for Assured Entitlement, you may apply for a number of Reserved Shares pursuant to your Assured Entitlement that is equal to or less than the number stated in Box B. If you intend to apply for a number of Reserved Shares that is less than your Assured Entitlement, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for Assured Entitlement and submit one check (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **BLUE** Application Form.

(c) If you are applying by using the **BLUE** Application Form for excess Reserved Shares, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for excess Reserved Shares and submit one separate check (or banker's cashier order) for the exact amount of remittance.

(d) If you intend to apply for both Reserved Shares pursuant to your Assured Entitlement and excess Reserved Shares, you must submit both the **BLUE** Application Form for Assured Entitlement and the **BLUE** Application Form for excess Reserved Shares. Each **BLUE** Application Form must be accompanied by a separate check (or banker's cashier order) for the exact amount of remittance.

5. When may Applications be made

(a) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with a check or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – CIMC Vehicles Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

- Thursday, June 27, 2019 – 9:00 a.m. to 5:00 p.m.
- Friday, June 28, 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, June 29, 2019 – 9:00 a.m. to 1:00 p.m.
- Tuesday, July 2, 2019 – 9:00 a.m. to 5:00 p.m.
- Wednesday, July 3, 2019 – 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, July 3, 2019, the last day for applications, or such later time as described in "*– D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

(b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, July 3, 2019, the last day for applications, or such later time as described in "*– D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

6. How many Applications may be made

You should see "– A. Applications for Hong Kong Offer Shares – 8. How Many Applications Can You Make" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

7. Additional Terms and Conditions and Instructions

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The Maximum Offer Price is HK$8.08 per Offer Share. You must pay the Maximum Offer Price, brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% in full upon application for the Hong Kong Offer Shares or Reserved Shares under the terms set out in the Application Forms. This means that for one board lot of 500 Hong Kong Offer Shares or one board lot of 500 Reserved Shares, you will pay HK$4,080.71.

The Application Forms have tables showing the exact amount payable for the number of Offer Shares that may be applied for.

You must pay the Maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing and Allocation".

D. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 3, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, July 3, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

E. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares on Wednesday, July 10, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.cimcvehiclesgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.cimcvehiclesgroup.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, July 10, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, July 10, 2019 to 12:00 midnight on Tuesday, July 16, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, July 10, 2019 to Saturday, July 13, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, July 10, 2019 to Friday, July 12, 2019 at all the receiving banks' designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allocation of Hong Kong Offer Shares and/or Reserved Shares is void:

The allocation of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications (other than an application (if any) made on the **BLUE** Application Form in your capacity as a Qualifying CIMC Shareholder);
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Representative believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$8.08 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, July 10, 2019.

H. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the Maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the Maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or before Wednesday, July 10, 2019. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, July 11, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE or BLUE Application Form

If you apply for (i) 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form or (ii) 1,000,000 or more Reserved Shares on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 10, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for (i) less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form or (ii) less than 1,000,000 Reserved Shares on a **BLUE** Application Form, your refund check(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, July 10, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Wednesday, July 10, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, July 10, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offering Shares allocated to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, July 10, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your H Share certificate(s) from The H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 10, 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, July 10, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, July 10, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, July 10, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, July 10, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, July 10, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, July 10, 2019.

I. ADMISSION OF OUR H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our H Shares and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CIMC VEHICLES (GROUP) CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of CIMC Vehicles (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-97, which comprises the consolidated balance sheets as at December 31, 2016, 2017 and 2018, the company balance sheets as at December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-97 forms an integral part of this report, which has been prepared for inclusion in this prospectus of the Company dated June 27, 2019 (the "prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2016, 2017 and 2018 and the consolidated financial position of the Group as at December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 27, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Revenue	6	14,555,633	19,366,989	24,168,174
Cost of sales	9	(12,349,890)	(16,518,665)	(21,008,866)
Gross profit		2,205,743	2,848,324	3,159,308
Selling and distribution expenses	9	(486,056)	(596,706)	(574,043)
Administrative expenses	9	(860,134)	(1,022,165)	(1,220,608)
Net impairment (losses)/gains on financial assets and financial guarantee contracts		(40,388)	11,608	16,284
Other income	7	123,595	133,469	157,968
Other gains/(losses) – net	8	99,752	(59,402)	82,470
Operating profit		1,042,512	1,315,128	1,621,379
Finance income	11	59,142	73,639	85,695
Finance costs	11	(82,730)	(114,332)	(160,095)
Finance costs – net	11	(23,588)	(40,693)	(74,400)
Share of net profits/(losses) of associates and a joint venture	21	4,248	(2,724)	5,775
Profit before income tax		1,023,172	1,271,711	1,552,754
Income tax expense	12	(270,398)	(260,190)	(320,752)
Profit for the year		752,774	1,011,521	1,232,002
Attributable to:				
Owners of the Company		730,077	964,380	1,142,924
Non-controlling interests		22,697	47,141	89,078
		752,774	1,011,521	1,232,002
Earnings per share (expressed in RMB per share):				
– Basic and diluted	13	0.49	0.64	0.76

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
	Note	**2016**	**2017**	**2018**
		RMB'000	**RMB'000**	**RMB'000**
Profit for the year		752,774	1,011,521	1,232,002
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Currency translation differences		(8,491)	12,484	54,517
Cash flow hedges		4,154	3,654	(1,014)
Items will not be reclassified to profit or loss				
Revaluation gain on the date of transfer from owner-occupied properties to investment properties	*29*	47,382	–	–
Other comprehensive income for the year, net of tax		43,045	16,138	53,503
Total comprehensive income for the year		795,819	1,027,659	1,285,505
Total comprehensive income for the year attributable to:				
Owners of the Company		773,734	979,986	1,195,860
Non-controlling interests		22,085	47,673	89,645
		795,819	1,027,659	1,285,505

(C) CONSOLIDATED BALANCE SHEETS

	Note	As of December 31, 2016	2017	2018
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	*15*	554,977	565,436	598,492
Property, plant and equipment	*16*	2,961,211	2,995,202	3,445,718
Investment properties	*17*	702,438	694,566	392,052
Intangible assets	*18*	633,945	609,751	547,440
Investments in associates	*21*	143,117	175,072	230,882
Investment in a joint venture	*21*	10,675	11,132	–
Deferred tax assets	*35*	166,029	176,340	164,621
Other non-current assets		17,766	27,527	42,781
		5,190,158	5,255,026	5,421,986
Current assets				
Inventories	*22*	3,293,300	3,560,329	3,582,330
Tax recoverable		115,278	99,105	125,309
Other current assets		6,766	7,293	12,535
Contract costs	*6(b)*	–	–	10,930
Trade and bill receivables	*23*	2,843,960	2,817,423	3,567,428
Prepayments and other receivables	*24*	557,383	632,154	706,831
Loans to related parties	*39*	719,170	252,525	174,846
Financial asset at fair value through profit or loss	*25*	–	408,000	–
Derivative financial instruments		1,306	1,504	3,496
Restricted cash	*26(b)*	84,629	171,996	140,098
Cash and cash equivalents	*26(a)*	1,780,266	2,810,813	2,616,979
		9,402,058	10,761,142	10,940,782
Assets classified as held for sale	*27*	203,848	235,309	197,874
		9,605,906	10,996,451	11,138,656
Total assets		14,796,064	16,251,477	16,560,642

	Note	As of December 31, 2016	2017	2018
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	*30*	1,148,622	184,363	310,604
Deferred income	*34*	92,760	339,191	22,607
Long term payables		1,172	752	470
Deferred tax liabilities	*35*	144,536	149,134	133,620
		1,387,090	673,440	467,301
Current liabilities				
Derivative financial instruments		4,244	1,351	376
Trade and bill payables	*31*	2,578,669	2,607,594	3,066,537
Other payables and accruals	*32*	1,822,648	2,670,923	1,876,189
Contract liabilities	*6(b)*	660,766	801,236	586,801
Borrowings	*30*	1,013,336	2,265,870	1,980,645
Income tax liabilities		144,615	92,312	103,204
Provisions	*33*	104,188	114,291	132,818
Deferred income	*34*	–	–	398,872
Other current liabilities		1,648	142	190
		6,330,114	8,553,719	8,145,632
Liabilities directly associated with assets classified as held for sale	*27*	–	14,906	–
		6,330,114	8,568,625	8,145,632
Total liabilities		7,717,204	9,242,065	8,612,933
EQUITY				
Equity attributable to owners of the Company				
Paid-in capital/share capital	*28*	1,482,661	1,482,661	1,500,000
Reserves	*29*	1,432,450	1,448,326	2,390,316
Retained earnings		3,833,020	3,674,551	3,597,364
		6,748,131	6,605,538	7,487,680
Non-controlling interests		330,729	403,874	460,029
Total equity		7,078,860	7,009,412	7,947,709
Total equity and liabilities		14,796,064	16,251,477	16,560,642

(D) COMPANY BALANCE SHEETS

	Note	As of December 31, 2016	2017	2018
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment		5,302	6,076	6,444
Intangible assets		1,329	801	625
Investments in subsidiaries	*19*	2,774,486	3,049,028	2,940,559
Investments in associates	*21*	59,777	94,437	168,179
Deferred tax assets	*35*	20,452	26,836	36,999
		2,861,346	3,177,178	3,152,806
Current assets				
Inventories		5,418	7,812	1,954
Trade and bill receivables	*23*	277,306	232,142	245,648
Prepayments and other receivables	*24*	525,881	359,132	848,130
Loans to related parties		455,000	75,000	75,000
Financial asset at fair value through profit or loss	*25*	–	408,000	–
Restricted cash	*26(b)*	10,045	3,118	605
Cash and cash equivalents	*26(a)*	292,602	474,893	336,728
		1,566,252	1,560,097	1,508,065
Total assets		4,427,598	4,737,275	4,660,871
LIABILITIES				
Current liabilities				
Trade and bill payables		12,313	6,783	1,077
Other payables and accruals	*32*	601,947	1,267,919	435,901
Contract liabilities		2,722	4,326	–
Income tax liabilities		10,880	6,252	6,420
Provisions		3,085	1,362	420
		630,947	1,286,642	443,818
Total liabilities		630,947	1,286,642	443,818
EQUITY				
Equity attributable to owners of the Company				
Paid-in capital/share capital	*28*	1,482,661	1,482,661	1,500,000
Reserves	*29*	1,242,422	1,242,422	2,225,095
Retained earnings	*29*	1,071,568	725,550	491,958
Total equity		3,796,651	3,450,633	4,217,053
Total equity and liabilities		4,427,598	4,737,275	4,660,871

(E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company					
	Note	**Paid-in capital/ share capital**	**Other reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Balance at January 1, 2016		1,482,147	1,390,425	3,301,312	6,173,884	312,064	6,485,948
Comprehensive income							
Profit for the year		–	–	730,077	730,077	22,697	752,774
Currency translation differences		–	(7,879)	–	(7,879)	(612)	(8,491)
Cash flow hedges		–	4,154	–	4,154	–	4,154
Revaluation gain on the date of transfer from owner-occupied properties to investment properties	*17*	–	47,382	–	47,382	–	47,382
Total comprehensive income for the year		–	43,657	730,077	773,734	22,085	795,819
Transactions with owners in their capacity as owners							
Capital injection	*28*	514	(514)	–	–	–	–
Capital contribution from non-controlling interests	*29(a)*	–	–	–	–	16,426	16,426
Acquisition of non-controlling interests in a non-wholly owned subsidiary	*29(b)*	–	(1,350)	(220)	(1,570)	(11,258)	(12,828)
Disposal of a subsidiary without loss of control	*29(c)*	–	232	–	232	8,768	9,000
Dividends	*14*	–	–	(198,149)	(198,149)	(17,356)	(215,505)
Total transactions with owners in their capacity as owners		514	(1,632)	(198,369)	(199,487)	(3,420)	(202,907)
Balance at December 31, 2016		1,482,661	1,432,450	3,833,020	6,748,131	330,729	7,078,860

	Note	Attributable to owners of the Company					
		Paid-in capital/ share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017		1,482,661	1,432,450	3,833,020	6,748,131	330,729	7,078,860
Comprehensive income							
Profit for the year		–	–	964,380	964,380	47,141	1,011,521
Currency translation differences		–	11,952	–	11,952	532	12,484
Cash flow hedges		–	3,654	–	3,654	–	3,654
Total comprehensive income for the year		–	15,606	964,380	979,986	47,673	1,027,659
Transactions with owners in their capacity as owners							
Capital contribution from non-controlling interests	*29(d)*	–	270	–	270	48,066	48,336
Dividends	*14*	–	–	(1,122,849)	(1,122,849)	(22,594)	(1,145,443)
Total transactions with owners in their capacity as owners		–	270	(1,122,849)	(1,122,579)	25,472	(1,097,107)
Balance at December 31, 2017		1,482,661	1,448,326	3,674,551	6,605,538	403,874	7,009,412

	Note	Attributable to owners of the Company					
		Paid-in capital/ share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2018		1,482,661	1,448,326	3,674,551	6,605,538	403,874	7,009,412
Comprehensive income							
Profit for the year		–	–	1,142,924	1,142,924	89,078	1,232,002
Currency translation differences	29	–	53,950	–	53,950	567	54,517
Cash flow hedges	29	–	(1,014)	–	(1,014)	–	(1,014)
Total comprehensive income for the year		–	52,936	1,142,924	1,195,860	89,645	1,285,505
Transactions with owners in their capacity as owners							
Capital contribution from non-controlling interests	*29(e)*	–	(14,357)	(1,885)	(16,242)	52,181	35,939
Acquisition of non-controlling interests in a non-wholly owned subsidiary	*29(f)*	–	(8,163)	–	(8,163)	(32,912)	(41,075)
Profit appropriation to enterprise expansion fund/statutory surplus reserve	*29(g)*	–	369,491	(369,491)	–	–	–
Transfer out of revaluation gain on properties	*29(h)*	–	(52,662)	52,662	–	–	–
Shares issued upon capitalization of reserves	*28(d)*	17,339	594,745	(612,084)	–	–	–
Dividends	*14*	–	–	(289,313)	(289,313)	(50,025)	(339,338)
Disposal of a subsidiary (loss of control)		–	–	–	–	(2,734)	(2,734)
Total transactions with owners in their capacity as owners		17,339	889,054	(1,220,111)	(313,718)	(33,490)	(347,208)
Balance at December 31, 2018		1,500,000	2,390,316	3,597,364	7,487,680	460,029	7,947,709

(F) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Note	**2016**	**2017**	**2018**
		RMB'000	**RMB'000**	**RMB'000**
Cash flows from operating activities				
Cash generated from operations	*36(a)*	1,399,397	2,100,349	1,374,858
Income taxes paid		(201,808)	(318,206)	(291,557)
Net cash inflow from operating activities		**1,197,589**	**1,782,143**	**1,083,301**
Cash flows from investing activities				
Payments for property, plant and equipment, intangible assets, investment properties and land use rights		(606,718)	(496,487)	(869,888)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties and land use rights		124,037	133,534	122,680
Payment for acquisition of financial asset at fair value through profit or loss		–	(408,000)	–
Proceed from disposal of financial asset at fair value through profit or loss	*3.3*	–	–	419,850
Payments for acquisition of subsidiaries, net of cash acquired	*38*	(575,008)	(155,938)	(11,611)
Payments for acquisition of associates		(118,462)	(11,520)	(23,680)
Proceeds from disposals of associates and a joint venture		490	600	9,600
Proceeds from disposals of subsidiaries		25,000	5,000	190,325
Loans to related parties	*39*	(814,898)	(162,300)	(22,500)
Repayment of loans by related parties	*39*	407,000	628,945	162,300
Interest received from related parties	*39*	38,451	24,558	10,256
Dividends received from associates and a joint venture		1,555	3,541	2,328
Net cash outflow from investing activities		**(1,518,553)**	**(438,067)**	**(10,340)**

	Note	Year ended December 31, 2016	2017	2018
		RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Proceeds of borrowings from related parties	*39,36(c)*	255,970	725,010	1,047,707
Repayment of borrowings from related parties	*39,36(c)*	(232,571)	(417,523)	(1,937,599)
Interest expenses paid to related parties	*36(c)*	(56,129)	(74,517)	(112,361)
Proceeds from bank borrowings	*36(c)*	1,471,848	777,435	1,430,400
Repayment of bank borrowings	*36(c)*	(1,421,120)	(786,060)	(860,149)
Interest expenses for bank borrowings	*36(c)*	(39,014)	(42,700)	(76,826)
Proceeds from capital injection	*28(b)*	1,289,627	–	–
Transaction with non-controlling interests		25,426	28,336	55,939
Distribution to shareholders in relation to business combination under common control		(53,598)	–	(202,936)
Dividends paid to owners of the Company	*14*	(150,593)	(449,045)	(611,703)
Dividends paid to non-controlling interests in subsidiaries		(32,183)	(39,786)	(28,074)
Payment of listing expenses		–	–	(13,987)
Net cash inflow/(outflow) from financing activities		**1,057,663**	**(278,850)**	**(1,309,589)**
Net increase/(decrease) in cash and cash equivalents		736,699	1,065,226	(236,628)
Cash and cash equivalents at the beginning of the year		998,008	1,780,266	2,810,813
Exchange gains/(losses) on cash and cash equivalents		45,559	(34,679)	42,794
Cash and cash equivalents at the end of year		**1,780,266**	**2,810,813**	**2,616,979**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

CIMC Vehicles (Group) Co., Ltd. (the "Company") (formerly named Shenzhen Tianda Heavy Machinery Co., Ltd. and then Shenzhen CIMC Heavy Machinery Co., Ltd.) is a Sino-foreign joint venture approved for incorporation by Wai Jing Mao He Zi Zheng Zi (1996) No. 0861 issued by the People's Government of Shenzhen on August 29, 1996, with an approved operating period of 30 years. On October 23, 2018, the Company was converted into a joint stock company with limited liability with registered capital of RMB1,500,000,000. The address of the Company's registered office is No. 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong province, the People's Republic of China (the "PRC").

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") are mainly engaged in design, manufacture and sales of an extensive range of semi-trailers and truck bodies and provision of relevant services in China, North America, Europe and other regions.

The ultimate holding company of the Company is China International Marine Containers (Group) Co., Ltd. ("CIMC Group"), which has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange of the PRC, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss, financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(a) New and revised standards adopted

International Financial Reporting Standard 9 "Financial instruments" ("IFRS 9") and International Financial Reporting Standard 15 "Revenue from contracts with customers" ("IFRS 15") are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has applied IFRS 9 and IFRS 15 consistently throughout the Track Record Period.

(b) New and revised standards, amendments and interpretations to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted:

	Effective for accounting periods beginning on or after
IFRS 16 "Leases"	1 January 2019
IFRS 17 "Insurance Contracts"	1 January 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 9 "Prepayment Feature with Negative Compensation"	1 January 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
Amendments to IFRS "Annual Improvements to IFRS Standards 2015-2017 Cycle"	1 January 2019
Amendments to IAS 19 "Employment Benefits on Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to IAS 1 and IAS 8 "Definition of Material"	1 January 2020
Amendments to IFRS 3 "Definition of Business"	1 January 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

Except as disclosed below, the Group is in the process of assessing potential impact of the above other new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company, management do not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards amendments to existing standards. The management of the Group plan to adopt these new standards and amendments to existing standards when they become effective.

IFRS 16

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. IFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after January 1, 2019. The Group currently plans to adopt this new standard on January 1, 2019. The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognized by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a lease liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an aggregate expense which is higher than the straight-line operating lease expense typically recognized under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year.

As a lessee, the Group can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

The Group is considering to elect the modified retrospective approach upon the initial adoption. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 16, i.e. January 1, 2019; and (iii) all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As of December 31, 2018, the Group has non-cancellable operating lease commitments of approximately RMB21,361,000 (Note 37(b)) which accounts for less than 0.2% and 0.3% of the Group's total assets and liabilities respectively as of December 31, 2018. The Group expects that the adoption of IFRS 16 as compared with the current accounting policy would not result in significant impact on the Group's assets and liabilities, financial performance and cash flow classification. Upon adoption of IFRS 16, the Group will recognize a liability reflecting these future lease payments and right-of-use assets, unless the underlying asset is of low value or they are short-term leases, in its balance sheets.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination not under common control

The Group applies the acquisition method to account for business combinations other than those which are under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated income statements.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in consolidated income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statements.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Business combination under common control

The Historical Financial Information incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Historical Financial Information are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is earlier.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the year in which it is incurred.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated income statements. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated income statements.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statements where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statements, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "Share of net profit/(loss) of associate" in the consolidated income statements.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial information only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statements.

2.4 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Historical Financial information are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in consolidated income statements. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statements of comprehensive income on a net basis within "other gains/(losses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in consolidated income statements as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to consolidated income statements, as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income or loss.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to consolidated income statements during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

– Buildings	20 to 30 years
– Machinery and equipment	10 to 12 years
– Motor vehicles	5 years
– Electronic and office equipment	4.5 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses. Cost comprises direct and indirect costs, related to acquisition and installation of the property, plant and equipment, incurred before the asset is substantially ready for its intended use.

Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided for construction in progress.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "other gains/(losses) – net" in the consolidated income statements.

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statements as part of a valuation gain or loss in "other gains/(losses) – net".

2.9 Land use right

Land lease prepayments represent payments for land use rights to the PRC authorities. Land use rights are stated at cost less accumulated amortization and impairment losses. Amortization is charged to consolidated income statements on a straight-line basis over the respective periods of the rights.

2.10 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Patents and Trademarks

Separately acquired patents and trademarks are shown at historical cost and are amortized on the straight-line basis over the estimated useful lives of 5 to 10 years as stipulated by the relevant contracts or laws.

Trademarks acquired in several business combinations are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line basis over the estimated useful lives of 5 to 10 years, which were determined based on various factors including (i) the acquiree's reputation and market position; and (ii) the historical and expected profitability generated from the use of the trade names.

(c) Software

Acquired computer software stated at historical cost less amortization. Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and are amortized on a straight-line basis over their useful lives, about 5 years.

(d) Customer relationships

Customer relationships acquired in several business combinations are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line basis over the estimated useful lives of 5 to 10 years, which were determined based on various factors including (i) historical and expected sales of the acquiree with the customers; (ii) projected revenues contributed from the customers after considering the estimated attrition rate; and (iii) contracts periods and life cycle of the relevant products.

(e) Customer contracts

Customer contracts are amortized on a straight-line basis over the period of 9 months.

(f) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the intangible assets so that it will be available for use
- management intend to complete the intangible assets and use or sell it
- there is an ability to use or sell the intangible assets
- it can be demonstrated how the intangible assets will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available, and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

Capitalized development costs are recorded as intangible assets and amortization from the point at which the asset is ready for use on a straight-line basis over its estimated useful life. Other development costs expenditures that do not meet these criteria are recognized as an expense as included, development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

Each of patents and trademarks, software, customer relationships and customer contracts has a useful life of 5 to 10 years, 5 years, 5 to 10 years and 9 months, respectively. When determining the length of useful life of an intangible asset, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statements or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 20 for details about each type of financial assets.

The Group reclassifies debts investments when and only when its business model for managing those assets changes.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statements.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in consolidated income statements and presented in "other gains/(losses) – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statements.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to consolidated income statements and recognized in "other gains/(losses) – net". Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in consolidated income statements and presented net in the consolidated income statements within "other gains/(losses) – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statements following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statements as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial asset at fair value through profit or loss are recognized in "fair value gains on financial asset at fair value through profit or loss" in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.13 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

The group has following types of assets that are subject to the expected credit loss model:

- trade and bill receivables for sales of inventory and from the provision of services
- other financial assets at amortized cost such as amount due from related parties and other receivables, and

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade and bill receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.14 Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge that qualify for hedge accounting

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognized within other comprehensive income in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in "other gains/(losses) – net".

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, assembly cost and other direct costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion, applicable variable selling expense and related tax.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bill receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2.13.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less.

2.18 Paid-in capital/share capital

Paid-in capital/ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statements, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

Salaries, annual bonuses, paid annual leave, contribution to defined contribution plan and the cost of non-monetary benefits are accrued in the year in which the associated service are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts would be stated at their present value.

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expenses as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.23 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.24 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below) or disposal groups are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.25 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or nonoccurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

2.26 Revenue recognition

The Group principally derives revenue from sales of products and provision of services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The accounting policy for the Group's principal revenue sources are shown as below.

(a) Sales of goods

The Group produces an extensive range of semi-trailers and truck bodies, and sells them to customers at different locations.

Revenue from the sales of goods directly to customers, is recognized at a point in time when control of the goods has been transferred, being when the products are delivered to customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The vehicles are often sold to distributors with rebates based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected rebates payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered to customers and customers accept the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group recognize the sales commission of obtaining a contract as an expense as incurred by using the practical expedient as the amortization period of the asset related to sales commission that the Group would have recognized is generally one year or less.

Shipping costs incurred directly attributable to fulfill a contract, if recoverable, are capitalized and recorded in contract costs. Contract costs related to shipping are usually recognized in cost of sales at same time of revenue recognition with control of goods transferred to customers.

The Group provides after-sales repair warranty to customers who purchased transport vehicles. The Group, in accordance with contracts, undertakes warranty responsibilities for these transport vehicles in the event of any non-accidental breakdown or quality problems from 6 months to 5 years after sales. Provision for product warranties is made based on the Group's estimated obligation for such warranties in respect of products sold.

The payment term are stipulated in relevant contracts. The Group's trading term with its customers are normally on cash or credit. The credit period offered by the Group ranges from 30 days to 90 days after the Group delivers the goods and accepted by customers. The Group may require deposits or advance payments according to their credit position.

(b) Rendering of services

The Group mainly provides vehicle related repairing and replacement service and vehicle related consulting service. Revenue from rendering of services is measured at the fair value of the consideration received or receivable under the contract or agreement.

Revenue for rendering of vehicle related repairing and replacement service and vehicle related consulting service is recognized over time when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Services fee are received mainly on cash upon completion of service.

2.27 Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognized in the consolidated income statements over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment, and other non-current assets are included in non-current liabilities as deferred income and are credited to consolidated income statements on a straight-line basis over the expected lives of the related assets.

2.28 Operating Leases

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period.

Rental income from an operating lease is recognized on a straight-line basis over the period of the lease.

2.29 Dividend Distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 Interest income

Interest income is recognized using the effective interest method.

2.31 Dividend income

Dividends are recognized as revenue when the right to receive payment is established.

2.32 Financial guarantee contracts

Financial guarantee contacts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9, "Financial Instruments"; and

- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and minimizes these exposures through entering into forward and swap foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated balance sheets are as follows:

	As of December 31,		
Assets	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
United States Dollars ("USD")	838,477	642,671	739,662
Euro ("EUR")	27,386	17,539	28,215
Japanese Yen ("JPY")	5,809	11,161	30,728
Hong Kong Dollars ("HKD")	340	–	1,827
	872,012	671,371	800,432

	As of December 31,		
Liabilities	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
USD	309,274	200,242	216,485
EUR	27,902	20,760	26,506
JPY	1,289	1,271	–
HKD	697	340	303
	339,162	222,613	243,294

The following table shows the sensitivity analysis of a 2.5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 2.5% change in foreign currency rates. Should RMB strengthened/weakened by 2.5% against the relevant currencies, the effect on post-tax profit during the Track Record Period would be as follows:

	Change of post-tax profit (decrease)/increase		
	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
RMB against USD:			
Strengthened by 2.5%	(9,923)	(8,296)	(9,810)
Weakened by 2.5%	9,923	8,296	9,810
RMB against EUR:			
Strengthened by 2.5%	10	60	(32)
Weakened by 2.5%	(10)	(60)	32
RMB against JPY:			
Strengthened by 2.5%	(85)	(185)	(576)
Weakened by 2.5%	85	185	576
RMB against HKD:			
Strengthened by 2.5%	7	6	(29)
Weakened by 2.5%	(7)	(6)	29

(ii) Interest rate risk

The Group's interest rate risk primarily arises from interest-bearing bank deposits, loans to related parties and borrowings with floating and fixed rates. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has used interest rate and currency swap arrangements to mitigate floating investment rate exposure form long-term borrowing.

The Group's interest rate profile as monitored by management is set out as below.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial instruments with floating rate			
Financial assets	1,864,895	2,982,808	2,757,077
Financial liabilities	(622,229)	(860,442)	(1,036,359)
	1,242,666	2,122,366	1,720,718
Financial instruments with fixed rate			
Financial liabilities	(1,513,405)	(1,482,930)	(1,254,890)

If the interest rates of financial instruments with floating rate had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the years ended December 31, 2016, 2017 and 2018 would have been higher/lower by RMB4,660,000, RMB7,959,000 and RMB6,453,000, respectively.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade and bill receivables, other receivables and financial guarantee contracts issued. Except for financial guarantee contracts, the carrying amounts of each class of the above financial instruments represent the Group's maximum exposure to credit risk in relation to these financial instruments.

Credit risk of cash and cash equivalents and restricted cash

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. The expected credit loss is close to zero.

Credit risk of trade receivables

To manage risk arising from trade receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before January 1, 2016, 2017 and December 31, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

During the Track Record Period, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 1 year past due	1 to 2 years past due	2 to 3 years past due	Over 3 years past due
Expected loss rate	3%	5%	24%	59%	89%

Since the actual loss rates for each type of the trade receivables and the adjusts for forward looking macroeconomic data did not have significant change during the Track Record Period, the directors of the Company consider that the change in the expected credit loss rate for provision matrix is insignificant throughout the Track Record Period.

Credit risk of bill receivables

Bill receivables mainly represent bank acceptance bills. The maturity of these bills usually is 3 months or 6 months. These bills are mainly issued by state-owned or reputable financial institution in the PRC. The expected credit loss is close to zero.

Credit risk of other receivables and financial guarantee contracts

Other receivables at the end of each reporting period were mainly rental and other deposit, disbursement of vehicle loans, capital injection receivables and other receivables from staffs and third parties. The Group has also arranged bank financing for certain purchasers of the Group's vehicle and provided guarantees to secure obligations of such purchasers for repayments.

The Group considers the probability of default upon initial recognition of assets or issue of the financial guarantee contracts and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer;
- significant changes in the expected performance and behavior of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded. A default is when the counterparty fails to make contractual payments/repayable demanded within 60 days of when they fail due.

As of 31 December 2016, 2017 and 2018, rental and other deposits, capital injection receivables and loans to related parties are considered to have low credit risk. Thus they were categorized in stage 1, and the impairment provision recognized during the years was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognized during the Track Record Period.

Expected credit loss for the financial guarantee have been taken into account the Group's recent claim experience and supportive forwarding-looking information. If a customer defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. As of December 31, 2016, 2017 and 2018, certain customers failed for repayment. The Group had to repay the loan and interests to the bank on behalf of these customers (referred to as "disbursements of vehicle loans"). The Group made provision for these receivables ("Underperforming Receivables").

Other receivables	Basis for recognition of expected credit loss provision	Estimated gross amount at default as of			Carrying amount (net of impairment provision) as of		
		December 31,			December 31,		
		2016	2017	2018	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Underperforming receivables	Life time expected losses	146,635	98,078	55,287	63,877	33,123	20,929
Performing receivables – other receivables from staff and third parties and others	12 months expected losses	186,368	123,425	159,929	140,512	95,233	132,157
		333,003	**221,503**	**215,216**	**204,389**	**128,356**	**153,086**

Write-off policy

The Group writes off trade and other receivables, in whole or in part, when it was exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include bankrupt, termination or the expected cost significantly greater than the carrying amount of account receivable. The Group may write off trade receivables that are still subject to enforcement activity. Where recoveries are made, these are recognized in consolidated income statement.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalent. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2016				
Derivative financial instruments	4,244	–	–	4,244
Borrowings	1,076,335	988,296	244,062	2,308,693
Trade and bill payables	2,578,669	–	–	2,578,669
Other payables and accruals	1,058,551	–	–	1,058,551
Financial guarantee contracts issued	215,632	598,585	226,466	1,040,683
Total	4,933,431	1,586,881	470,528	6,990,840
As of December 31, 2017				
Derivative financial instruments	1,351	–	–	1,351
Borrowings	2,325,257	56,770	136,368	2,518,395
Trade and bill payables	2,607,594	–	–	2,607,594
Other payables and accruals	1,748,680	–	–	1,748,680
Financial guarantee contracts issued	217,534	437,676	351,062	1,006,272
Total	6,900,416	494,446	487,430	7,882,292
As of December 31, 2018				
Derivative financial instruments	376	–	–	376
Borrowings	2,053,565	18,826	316,480	2,388,871
Trade and bill payables	3,066,537	–	–	3,066,537
Other payables and accruals	812,562	–	–	812,562
Financial guarantee contracts issued	180,322	602,049	471,139	1,253,510
Total	6,113,362	620,875	787,619	7,521,856

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of debt-asset ratio. This ratio is calculated as total liabilities divided by total assets.

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Total liabilities	7,717,204	9,242,065	8,612,933
Total assets	14,796,064	16,251,477	16,560,642
Debt-asset ratio	52%	57%	52%

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2016, 2017 and 2018.

As of December 31, 2016	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Derivative financial instruments	–	1,306	–	1,306
Liabilities:				
Contingent consideration	–	–	125,522	125,522
Derivative financial instruments	–	4,244	–	4,244
	–	4,244	125,522	129,766

As of December 31, 2017	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Financial asset at fair value through profit or loss *(Note 25)*	–	–	408,000	408,000
Derivative financial instruments	–	1,504	–	1,504
	–	1,504	408,000	409,504
Liabilities:				
Derivative financial instruments	–	1,351	–	1,351

As of December 31, 2018	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Derivative financial instruments	–	3,496	–	3,496
Liabilities:				
Derivative financial instruments	–	376	–	376

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(b) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the financial instruments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial asset at fair value through profit or loss, derivative financial instruments and contingent consideration. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and cost approach etc.

(c) Financial asset at fair value through profit or loss

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Fair value as of December 31,			Valuation techniques	Unobservable inputs	Range of unobservable inputs As of December 31,		
	2016	2017	2018			2016	2017	2018
	RMB'000	RMB'000	RMB'000					
Financial asset at fair value through profit or loss	–	408,000	–	Discounted cash flow using the expected rate of return	Expected rate of return	N/A	8%	N/A

The relationship between unobservable input and fair value:

- The higher the expected rate of return, the higher the fair value.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended December 31, 2017 would have been approximately RMB1,995,000 higher/lower.

The following table presents the changes in level 3 instruments of financial asset at fair value through profit or loss for the year ended December 31, 2017 and 2018.

	Year ended December 31, 2017	Year ended December 31, 2018
	RMB'000	RMB'000
At the beginning of the year.	–	408,000
Addition	408,000	–
Changes in fair value.	–	11,850
Disposal	–	(419,850)
At the end of the year	408,000	–

(d) Investment properties

The details of investment properties carried at fair value are set out in Note 17.

During the Track Record Period, there is no transfer between level 2 and 3 of fair value hierarchy classification.

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, trade and bill receivables, other receivables and loans to related parties and the Group's financial liabilities, including borrowings, trade and bill payables, other payables and other current liabilities, approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment for inventories

The Group assesses periodically if cost of inventories may not be recoverable based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories, the net realizable value has been determined based on the contracted selling price to be recognized upon the completion of the contract costs less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the year in which such estimate changes.

As of December 31, 2016, 2017 and 2018, the carrying amounts of inventories were approximately RMB3,293,300,000, RMB3,560,329,000 and RMB3,582,330,000, respectively (net of write down of inventories of approximately RMB184,832,000, RMB193,341,000 and RMB180,371,000, respectively).

(b) Expected credit loss for receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b) and Note 23. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the Historical Financial Information.

(c) Estimation of fair value of investment properties

The Group recognized the fair value of the investment properties based on the valuation assessed by the independent professional valuer or management by using valuation technique. To assess the fair value of investment properties, as stated in Note 17, several significant judgments and assumptions are used.

(d) Income taxes and deferred taxations

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Product warranties

As described in Note 2.26, the Group makes provisions under the warranties it gives on the sale of its transport vehicles to consumers based on the recent claim experience. Because it is possible that the recent claim experience may not be indicative of future claims that the Group will receive in respect of past sales, a considerable level of management's judgment is required and exercised to estimate the provision. Any increase or decrease in the provision will affect profit or loss in future years.

(f) Expected credit loss of financial guarantee contracts for vehicle loans

According to the requirements in the financial guarantee contracts related to the vehicles financial guarantee services provided to the customers, the Group, as the vehicles financial guarantor, shall fulfill obligation or take responsibility as agreed if the debtor fails to fulfill obligation, which is subsequently measured at the higher of the amount initially recognized less expected credit loss and the amount, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. The impairment loss for financial guarantee are base on an assumption about the expected losses. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the Historical Financial Information.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete Historical Financial Information is available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the CEO, who reviews internal reporting when making decisions about allocating resources and assessing performance of the Group. The CEO has determined the operating segments based on these reports. The CEO considers the business from customer's location perspective, and determines that the Group has the following operating segments:

- China;
- North America;
- Europe; and
- Other regions.

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

The segment information provided to the CEO for the reportable segments for the relevant years is as follows:

	Year ended December 31, 2016				
	China	North America	Europe	Other regions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of vehicles	6,910,201	4,049,100	1,172,513	1,140,644	13,272,458
Sales of parts and components	383,422	434,539	136,813	15,847	970,621
Other revenue	192,884	–	100,339	19,331	312,554
Revenue in total	7,486,507	4,483,639	1,409,665	1,175,822	14,555,633
Cost of sales of vehicles	(6,111,386)	(3,268,097)	(1,035,868)	(1,007,353)	(11,422,704)
Cost of sales of parts and components	(269,750)	(394,278)	(94,545)	(12,798)	(771,371)
Cost of other revenue	(61,587)	–	(74,649)	(19,579)	(155,815)
Cost in total	(6,442,723)	(3,662,375)	(1,205,062)	(1,039,730)	(12,349,890)
Gross profit	1,043,784	821,264	204,603	136,092	2,205,743

	Year ended December 31, 2017				
	China	North America	Europe	Other regions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of vehicles	10,075,562	4,234,202	1,807,164	1,511,887	17,628,815
Sales of parts and components	635,715	459,215	269,744	16,971	1,381,645
Other revenue	196,056	–	148,841	11,632	356,529
Revenue in total	10,907,333	4,693,417	2,225,749	1,540,490	19,366,989
Cost of sales of vehicles	(8,865,655)	(3,380,421)	(1,647,734)	(1,332,898)	(15,226,708)
Cost of sales of parts and components	(459,045)	(421,178)	(177,671)	(14,062)	(1,071,956)
Cost of other revenue	(98,783)	–	(112,677)	(8,541)	(220,001)
Cost in total	(9,423,483)	(3,801,599)	(1,938,082)	(1,355,501)	(16,518,665)
Gross profit	1,483,850	891,818	287,667	184,989	2,848,324

	Year ended December 31, 2018				
	China	North America	Europe	Other regions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of vehicles	12,996,108	6,133,735	1,997,979	1,167,736	22,295,558
Sales of parts and components	671,611	501,696	301,267	13,583	1,488,157
Other revenue	238,702	–	135,888	9,869	384,459
Revenue in total	13,906,421	6,635,431	2,435,134	1,191,188	24,168,174
Cost of sales of vehicles	(11,653,878)	(5,197,197)	(1,796,359)	(1,010,849)	(19,658,283)
Cost of sales of parts and components	(471,307)	(457,329)	(229,584)	(10,867)	(1,169,087)
Cost of other revenue	(71,068)	–	(106,286)	(4,142)	(181,496)
Cost in total	(12,196,253)	(5,654,526)	(2,132,229)	(1,025,858)	(21,008,866)
Gross profit	1,710,168	980,905	302,905	165,330	3,159,308

Segment gross profit reconciles to profit for the year as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Segment gross profit	2,205,743	2,848,324	3,159,308
Selling and distribution expenses	(486,056)	(596,706)	(574,043)
Administrative expenses	(860,134)	(1,022,165)	(1,220,608)
Net impairment (losses)/gains on financial assets and financial guarantee contracts	(40,388)	11,608	16,284
Other income	123,595	133,469	157,968
Other gains/(losses) – net	99,752	(59,402)	82,470
Financial costs – net	(23,588)	(40,693)	(74,400)
Share of net profits/(losses) of associates and a joint venture	4,248	(2,724)	5,775
Income tax expense	(270,398)	(260,190)	(320,752)
Profit for the year	752,774	1,011,521	1,232,002

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

6 REVENUE

(a) Disaggregation of revenue

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

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers:			
Sales of vehicles	13,272,458	17,628,815	22,295,558
Sales of parts and components	970,621	1,381,645	1,488,157
Other revenue	265,187	304,096	305,142
	14,508,266	19,314,556	24,088,857
Recognized at a point in time	14,404,037	19,199,543	23,998,030
Recognized over time	151,596	167,446	170,144
Revenue from other sources:			
Rental income	47,367	52,433	79,317
	14,555,633	19,366,989	24,168,174

(b) Assets and liabilities related to contracts with customers

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current costs recognized for costs incurred to fulfill a contract – sales of vehicles *(i)*	–	–	10,930
Contract liabilities – sales of vehicles *(ii)*	660,766	801,236	586,801

(i) Shipping costs incurred directly attributable to executing a sales contract, if recoverable, are capitalized and recorded in contract costs. Contract costs related to shipping are usually recognized in cost of sales at the same time of revenue recognition with control of goods transferred to customers.

(ii) Contract liabilities increased in 2017 and decreased in 2018 was due to some big deposits for 2018 orders were received right before December 31, 2017 and these orders have been delivered in 2018.

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	309,628	660,766	801,236

As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed, because the contracts have an original expected duration of one year or less.

7 OTHER INCOME

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Government grants	42,745	43,870	42,355
Sales of scraps	41,245	44,796	65,750
Value-added service *(a)*	15,528	13,915	19,958
Others	24,077	30,888	29,905
	123,595	133,469	157,968

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

8 OTHER GAINS/(LOSSES) – NET

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Fair value gains on investment properties *(Note 17)*	79,226	313	44,454
Net foreign exchange gains/(losses)	20,645	(67,711)	6,850
Net gains on disposal of subsidiaries *(Note 19)*	695	–	49,555
Losses on disposal of property, plant and equipment	(7,309)	(13,928)	(2,540)
Write-off of payables	8,560	12,260	5,794
(Losses)/gains on financial assets/liabilities at fair value through profit or loss and derivative financial instruments	(10,921)	5,739	(11,699)
Net gains on disposal of associates and a joint venture	6	–	3,840
Gains/(losses) on disposal of intangible assets	7,488	(3)	–
Compensation for early termination of lease agreement *(i)*	–	–	(16,800)
Others	1,362	3,928	3,016
	99,752	(59,402)	82,470

(i) A subsidiary of the Group planned to sell the investment property with unexpired lease agreement. The expense represents the compensation to lessees for early termination of lease agreements.

9 EXPENSES BY NATURE

	Note	Year ended December 31, 2016	2017	2018
		RMB'000	RMB'000	RMB'000
Changes in inventories		(628,348)	(275,538)	(416,968)
Raw materials and consumables used		11,378,834	15,020,987	19,184,615
Employee benefits expenses	*10*	1,425,325	1,590,626	1,861,910
Depreciation of property, plant and equipment	*16*	219,330	222,558	258,035
Amortization of land use rights	*15*	15,003	13,247	13,131
Amortization of intangible assets	*18*	41,687	36,912	31,882
Impairment for intangible assets	*18*	5,905	798	39,698
Impairment for property, plant and equipment	*16*	8,289	17,996	10,041
Provision for impairment of inventories	*22*	40,487	64,663	39,089
Testing fees		38,839	44,076	74,000
Shipping and handling expenses		266,296	362,022	564,739
Rentals		35,231	38,422	45,049
Utilities		125,371	149,955	167,803
Processing and repair expenses		134,980	169,190	253,276
Auditor's remuneration – audit		6,523	7,530	7,457
Taxes and surcharges		116,621	115,757	131,763
Warranty expenses		76,717	99,288	91,147
Consultancy and professional service fees		54,640	79,599	70,675
Entertainment expenses		37,000	40,136	44,906
Traveling expenses		121,753	147,033	108,062
Listing expenses		–	–	17,511
Other expenses		175,597	192,279	205,696
Total cost of sales, selling and distribution expenses and administrative expenses		13,696,080	18,137,536	22,803,517

For the years ended December 31, 2016, 2017 and 2018, the Group incurred RMB96,750,000, RMB138,632,000 and RMB277,938,000 in research and development activities, respectively grouped under administrative expenses.

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31, 2016	2017	2018
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	1,213,998	1,351,967	1,611,275
Pension costs – defined contribution plans *(a)*	90,224	91,847	98,002
Other social security costs, housing benefits and other employee benefits	121,103	146,812	152,633
	1,425,325	1,590,626	1,861,910

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Directors', Supervisors' and chief executive's emoluments

The directors and supervisors received emoluments from the Group (in their role as senior management and employees before their appointment as directors and supervisors respectively) for the year ended December 31, 2016 as follows:

Name	Fees	Salary	Discretionary bonus	Pension costs – defined contribution plans, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Li Guiping (iii)	–	1,152	3,220	158	4,530
Mr. Mai Boliang (iv)	–	–	–	–	–
Ms. Zeng Beihua (iv)	–	–	–	–	–
Mr. Wang Yu (iv)	–	–	–	–	–
Supervisors:					
Mr. Liu Hongqing	–	156	903	55	1,114
Mr. Liu Zhenhuan (iv)	–	–	–	–	–
Mr. Li Xiaofu	–	191	235	50	476
	–	1,499	4,358	263	6,120

The directors and supervisors received emoluments from the Group (in their role as senior management and employees before their appointment as directors and supervisors respectively) for the year ended December 31, 2017 as follows:

Name	Fees	Salary	Discretionary bonus	Pension costs – defined contribution plans, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Li Guiping (iii)	–	1,240	5,109	168	6,517
Mr. Mai Boliang (iv)	–	–	–	–	–
Ms. Zeng Beihua (iv)	–	–	–	–	–
Mr. Wang Yu (iv)	–	–	–	–	–
Mr. Feng Jinhua	10	–	–	–	10
Mr. Fan Zhaoping	10	–	–	–	10
Supervisors:					
Mr. Liu Hongqing	–	156	897	54	1,107
Mr. Liu Zhenhuan (iv)	–	–	–	–	–
Mr. Li Xiaofu	–	218	646	73	937
	20	1,614	6,652	295	8,581

The directors and supervisors received emoluments from the Group (in their role as senior management and employees before their appointment as directors and supervisors respectively) for the year ended December 31, 2018 as follows:

Name	Fees	Salary	Discretionary bonus	Pension costs – defined contribution plans, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Li Guiping (iii)	–	1,560	6,018	92	7,670
Mr. Mai Boliang (iv)	–	–	–	–	–
Ms. Zeng Beihua (iv)	–	–	–	–	–
Mr. Wang Yu (iv)	–	–	–	–	–
Mr. Feng Jinhua	110	–	–	–	110
Mr. Fan Zhaoping	110	–	–	–	110
Supervisors:					
Mr. Liu Hongqing	–	163	1,437	59	1,659
Mr. Liu Zhenhuan (iv)	–	–	–	–	–
Mr. Li Xiaofu	–	222	1,144	60	1,426
	220	1,945	8,599	211	10,975

(i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(ii) Discretionary bonus are determined based on the financial performance of the Group and the performance of each individual.

(iii) Mr. Li Guiping is also the CEO of the Group.

(iv) During the Track Record Period, these directors and supervisor received emoluments from CIMC Group, the ultimate holding company, part of which is in respect of their services to the Group. No apportionment of such emoluments has been made as it is considered that it is impracticable to apportion the amounts between the services to the Group and the services to the ultimate holding company.

(v) Mr. Liu Dong, Mr. Chen Bo and Mr. Cheng Hok Kai were appointed as the Company's non-executive directors and independent non-executive director on December 7, 2018 and June 26, 2019, respectively. During the Track Record Period, these directors did not receive any remuneration.

(c) Benefits and interests of directors

Except for directors disclosed above, there were no other benefits offered to the directors of the Company.

(d) Directors' retirement and termination benefits

During the Track Record Period, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

No director's termination benefit subsisted at the end of the period or at any time during the Track Record Period.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the period or at any time during the Track Record Period.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the Track Record Period.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2016, 2017 and 2018 include 1, 1 and 1 director whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining 4, 4 and 4 individuals for each of the years ended December 31, 2016, 2017 and 2018 are as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	6,145	6,458	4,524
Bonuses	9,891	13,791	13,126
Housing benefits	271	–	382
Defined contribution plan	71	306	238
Other social security costs	36	19	6
Other employee benefits	60	289	66
	16,474	20,863	18,342

The emoluments of those individuals fell within the following bands:

	Number of individuals		
	Year ended December 31,		
	2016	2017	2018
HKD2,500,001 to HKD3,000,000	1	–	–
HKD3,000,001 to HKD3,500,000	1	–	–
HKD4,000,001 to HKD4,500,000	–	1	1
HKD4,500,001 to HKD5,000,000	–	1	1
HKD5,000,001 to HKD5,500,000	–	–	1
HKD5,500,001 to HKD6,000,000	1	–	–
HKD6,500,001 to HKD7,000,000	–	1	–
HKD7,000,001 to HKD7,500,000	–	–	1
HKD7,500,001 to HKD8,000,000	1	–	–
HKD8,500,001 to HKD9,000,000	–	1	–
	4	4	4

11 FINANCE COSTS – NET

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Finance costs:			
– Interest expense	94,946	117,297	162,863
Less:			
– Amount capitalized	(12,216)	(2,965)	(2,768)
	82,730	114,332	160,095
Finance income:			
– Interest income	(59,142)	(73,639)	(85,695)
Finance costs, net	23,588	40,693	74,400

Borrowing costs capitalized during the years ended December 31, 2016, 2017 and 2018 arose on funds borrowed specifically for the purpose of obtaining qualifying assets; as well as on general borrowing pool which were calculated by applying a capitalization rate of 4.92%, 3.95% and 4.92% per annum on expenditures incurred on qualifying assets.

12 INCOME TAX EXPENSE

The income tax expenses of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current income tax	284,540	265,903	302,449
Deferred income tax	(14,142)	(5,713)	18,303
Income tax expense	270,398	260,190	320,752

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,023,172	1,271,711	1,552,754
Tax calculated at statutory income tax rate of 25% in the PRC *(a)*	255,793	317,928	388,189
Tax effects of:			
– Effect of different tax rates in other jurisdictions *(b)*	23,295	26,079	8,397
– Preferential income tax rates applicable to subsidiaries *(c)*	(60,221)	(68,355)	(85,629)
– Expenses not deductible for tax purposes	7,253	6,665	8,605
– Utilization of previously unrecognized tax losses	(6,376)	(12,638)	(18,551)
– Tax losses for which no deferred income tax asset was recognized	19,760	34,374	20,623
– Temporary differences for which no deferred income tax asset was recognized	38,593	8,253	7,149
– Adjustment on taxation in previous year	(3,155)	(5,280)	(4,476)
– Effects of change of tax rate *(d)*	–	(34,699)	21,568
– Research and development expenses bonus deduction *(e)*	(6,775)	(11,575)	(23,284)
– Others	2,231	(562)	(1,839)
Income tax expense	270,398	260,190	320,752

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

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

(b) Corporate income tax in other jurisdictions

Some of the Group's subsidiaries are located in other jurisdictions, including Hong Kong, United States, Europe, East Asia and South Africa etc. The respective rates prevailing in the relevant jurisdiction are ranging from 15% to 39%.

(c) Preferential EIT rate

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

(d) Effects of change of tax rate

In 2017, Yangzhou CIMC Tonghua Special Vehicles Co., Ltd., a subsidiary of the Group, was no longer qualified as "high and new technology enterprise". Consequently, the corporate tax rate applied to it was increased from 15% in 2016 to 25% in 2017. This change resulted in a gain of RMB34,699,000 relating to re-measurement of the respective net deferred tax assets of that subsidiary.

In 2018, the federal tax rate in the United States decreased from 35% in 2017 to 21% in 2018. This change resulted in a gain of RMB3,341,000 relating to re-measurement of the respective net deferred tax liabilities of those subsidiaries located in the United States.

In 2018, Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. and Dongguan CIMC Special Vehicle Co., Ltd., subsidiaries of the Group, were qualified as "high and new technology enterprise". Consequently, the corporate tax rate applied to them was decreased from 25% in 2017 to 15% in 2018. This change resulted in a loss of RMB24,909,000 relating to re-measurement of the respective net deferred tax assets of those subsidiaries.

(e) Research and development expenses bonus deduction

Under the Enterprise Income Tax Law of the PRC and its relevant regulations, 50% additional tax deduction for qualified research and development expense is allowed before 2018 and 75% additional tax deduction for qualified research and development expense is allowed in 2018.

13 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the Track Record Period. The Company was converted to a joint stock company on October 23, 2018, and 1,500,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capitals registered under these shareholders on September 21, 2018. This capitalization of share capital is applied retrospectively during the Track Record Period for the purpose of computation of earnings per share.

	Year ended December 31,		
	2016	**2017**	**2018**
Profit attributable to owners of the Company (RMB'000)	730,077	964,380	1,142,924
Weighted average number of ordinary shares in issue (thousands shares)	1,500,000	1,500,000	1,500,000
Earnings per share – Basic (RMB per share)	0.49	0.64	0.76

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding as of December 31, 2016, 2017 and 2018.

14 DIVIDENDS

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

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Dividends payable:			
At the beginning of the year	–	47,556	721,360
Dividend declared	198,149	1,122,849	289,313
Dividend paid	(150,593)	(449,045)	(611,703)
Transfer to loans *(Note 36(b))*	–	–	(398,970)
At the end of the year	47,556	721,360	–

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

15 LAND USE RIGHTS

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year			
Cost	708,803	653,693	677,399
Amortization of land use rights	(83,713)	(98,716)	(111,963)
Net book amount	625,090	554,977	565,436
Opening net book amount	625,090	554,977	565,436
Additions	81,359	38,596	60,206
Disposal of subsidiaries	–	–	(9,912)
Disposals	(12,811)	(32)	(4,349)
Classified as held for sale *(Note 27)*	(85,177)	(17,458)	–
Transfer to investment properties *(Note 17)*	(39,400)	–	–
Currency translation differences	919	2,600	242
Amortization charge	(15,003)	(13,247)	(13,131)
Closing net book amount	554,977	565,436	598,492
At the end of the year			
Cost	653,693	677,399	723,586
Accumulated amortization	(98,716)	(111,963)	(125,094)
Net book value	554,977	565,436	598,492

As of December 31, 2016, 2017 and 2018, land use rights of which the ownership certificate was not obtained had a net book value of nil, RMB20,739,000 and RMB8,050,000, respectively. Amortization charge have been recorded in administrative expenses.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Machinery and equipment	Motor vehicles	Electronic and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2016						
Opening net book amount	1,537,553	691,208	31,957	59,769	305,859	2,626,346
Currency translation differences	7,508	8,143	1,243	(330)	1,468	18,032
Business combinations *(Note 38)*	143,720	75,560	4,777	11,983	–	236,040
Additions	112,692	207,945	13,074	20,437	155,963	510,111
Transfer from construction in progress	201,718	184,320	4,678	5,862	(396,578)	–
Disposals	(40,735)	(24,996)	(10,283)	(19,953)	(6,168)	(102,135)
Transfer to investment properties *(Note 17)*	(4,936)	–	–	–	(2,358)	(7,294)
Transfer to assets held for sale *(Note 27)*	(69,954)	(21,708)	(372)	(236)	–	(92,270)
Depreciation charge	(69,304)	(117,090)	(12,410)	(20,526)	–	(219,330)
Impairment	–	(7,231)	(29)	(1,029)	–	(8,289)
Closing net book amount	1,818,262	996,151	32,635	55,977	58,186	2,961,211
At December 31, 2016						
Cost	2,389,005	2,082,863	117,177	213,987	58,186	4,861,218
Accumulated depreciation and impairment	(570,743)	(1,086,712)	(84,542)	(158,010)	–	(1,900,007)
Net book amount	1,818,262	996,151	32,635	55,977	58,186	2,961,211

	Buildings	Machinery and equipment	Motor vehicles	Electronic and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2017						
Opening net book amount	1,818,262	996,151	32,635	55,977	58,186	2,961,211
Currency translation differences	(5,160)	(3,149)	310	1,236	76	(6,687)
Additions	30,857	99,129	12,363	24,398	252,780	419,527
Transfer from construction in progress	13,595	32,502	21,428	4,921	(72,446)	–
Disposals	(19,062)	(89,599)	(7,583)	(464)	(1,716)	(118,424)
Transfer to assets held for sale *(Note 27)*	(5,530)	–	(29)	–	(14,312)	(19,871)
Depreciation charge	(73,105)	(122,779)	(10,798)	(15,876)	–	(222,558)
Impairment	–	(17,244)	(4)	(748)	–	(17,996)
Closing net book amount	1,759,857	895,011	48,322	69,444	222,568	2,995,202
At December 31, 2017						
Cost	2,337,800	1,994,343	130,931	211,933	222,568	4,897,575
Accumulated depreciation and impairment	(577,943)	(1,099,332)	(82,609)	(142,489)	–	(1,902,373)
Net book amount	1,759,857	895,011	48,322	69,444	222,568	2,995,202

	Buildings	Machinery and equipment	Motor vehicles	Electronic and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2018						
Opening net book amount	1,759,857	895,011	48,322	69,444	222,568	2,995,202
Currency translation differences	10,315	3,440	50	266	186	14,257
Additions	27,189	135,934	106,301	64,616	435,579	769,619
Business combination *(Note 38)*	454	46,749	671	1,595	5,582	55,051
Transfer from construction in progress	35,497	168,506	33,186	25,377	(262,566)	–
Disposals	(27,740)	(54,808)	(13,125)	(11,950)	(12,712)	(120,335)
Depreciation charge	(68,944)	(130,021)	(23,294)	(35,776)	–	(258,035)
Impairment	(1,281)	(4,955)	(106)	(3,699)	–	(10,041)
Closing net book amount	1,735,347	1,059,856	152,005	109,873	388,637	3,445,718
At December 31, 2018						
Cost	2,374,000	2,243,439	232,576	280,785	388,637	5,519,437
Accumulated depreciation and impairment	(638,653)	(1,183,583)	(80,571)	(170,912)	–	(2,073,719)
Net book amount	1,735,347	1,059,856	152,005	109,873	388,637	3,445,718

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cost of sales	168,772	181,500	220,076
Administrative expenses	45,935	36,742	33,664
Selling and distribution expenses	4,623	4,316	4,295
	219,330	222,558	258,035

As of December 31, 2016, 2017 and 2018, buildings of which the property ownership certificate had not been obtained or property ownership transfer procedures had not been completed were at a net book value of RMB263,988,000, RMB294,404,000 and RMB347,226,000, respectively. Management is of the opinion that there will be no substantial restrictions to obtain the property ownership certificate and do not expect there will be significant adverse impact on the Historical Financial Information.

17 INVESTMENT PROPERTIES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Opening net book amount	545,628	702,438	694,566
Additions	1,601	16,981	–
Fair value gains *(b, Note 8)*	79,226	313	44,454
Transfer from property, plant and equipment *(Note 16)*	7,294	–	–
Transfer from land use rights *(Note 15)*	39,400	–	–
Revaluation gain on the date of transfer from owner-occupied properties to investment properties	63,176	–	–
Transfer to assets held for sale *(Note 27)*	(26,401)	–	–
Disposals	(7,440)	(25,215)	–
Disposals of subsidiaries *(b)*	–	–	(346,949)
Currency translation difference	(46)	49	(19)
Closing net book amount	702,438	694,566	392,052

(a) As of December 31, 2016, 2017 and 2018, investment properties of which the ownership certificate was not obtained had a net book value of RMB108,520,000, RMB90,160,000 and RMB92,370,000, respectively. Management is of the opinion that there will be no substantial restrictions to obtain the property ownership certificate and do not expect there will be significant adverse impact on the Historical Financial Information.

(b) As disclosed in note 19(xxiii) and note 19(xxiv), the Group disposed some of its subsidiaries which held investment properties.

(c) Amounts recognized in consolidated income statements for investment properties

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Rental income	47,367	51,015	53,538
Direct operating expenses from property that generated rental income	(14,762)	(7,546)	(13,829)
Fair value gain recognized in other gains/(losses) – net *(Note 8)*	79,226	313	44,454

(d) Valuation techniques used to derive level 3 fair values

Level 3 fair values of the Group's investment properties have been generally derived using income approach and depreciated replacement cost approach. The key assumptions include monthly rental, capitalization rates, site unit rate and replacement construction cost.

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of fair value hierarchy levels.

(e) Valuation techniques and inputs used in level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorized under Level 3 of the fair value hierarchy:

		Range of unobservable inputs		
		As of December 31,		
Valuation techniques	**Unobservable inputs**	**2016**	**2017**	**2018**
Income approach	Capitalization rate	6%-7%	6%-7%	5%-7%
	Monthly rental (RMB/square meter/month)	1.7-83.33	1.7-83.33	1.9-60
Depreciated replacement cost approach	Replacement construction cost (RMB/square meter)	1,409-5,010	1,409-5,010	N/A
	Site unit rate	462-2,079	462-2,079	N/A

The relationship between unobservable input and fair value:

- The higher the capitalization rate, the lower the fair value;
- The higher the monthly rental, the higher the fair value;
- The higher the replacement construction cost, the higher the fair value;
- The higher the site unit rate, the higher the fair value.

(f) Valuation processes of the Group

The Group has a team that manages the valuation of level 3 investment properties for financial reporting purposes. The team manages the valuation exercise of investment properties on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 assets. The Group may engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year based on the properties' highest and best use.

At each financial year end the finance department:

– verifies all major inputs to the independent valuation report;

– assesses property valuation movements when compared to the prior year valuation report; and

– holds discussions with the independent valuer.

Changes in level 3 fair values are analyzed at each reporting date during the valuation discussions between the financial director and the valuation team. As part of this discussion, the valuation team presents a report that explains the reasons for the fair value movements.

18 INTANGIBLE ASSETS

	Goodwill	Patents and trademarks	Software	Customer contracts	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016						
Cost	94,347	59,693	11,127	–	16,124	181,291
Accumulated amortization	–	(31,244)	(6,647)	–	–	(37,891)
Impairment provision	(19,100)	–	–	–	–	(19,100)
Net book amount	75,247	28,449	4,480	–	16,124	124,300
Year ended December 31, 2016						
Opening net book amount	75,247	28,449	4,480	–	16,124	124,300
Business combination *(Note 38)*	344,552	109,625	–	17,448	83,502	555,127
Additions	–	12,064	1,583	–	–	13,647
Disposals	–	–	(1,731)	–	–	(1,731)
Currency translation differences	(5,686)	(1,488)	(632)	(171)	(1,829)	(9,806)
Amortization charge	–	(17,296)	(1,546)	(11,632)	(11,213)	(41,687)
Impairment provision	–	(5,905)	–	–	–	(5,905)
Closing net book amount	414,113	125,449	2,154	5,645	86,584	633,945

	Goodwill	Patents and trademarks	Software	Customer contracts	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016						
Cost	433,213	183,578	10,816	17,448	97,710	742,765
Accumulated amortization	–	(50,394)	(8,662)	(11,803)	(11,126)	(81,985)
Impairment provision	(19,100)	(7,735)	–	–	–	(26,835)
Net book amount	414,113	125,449	2,154	5,645	86,584	633,945
Year ended December 31, 2017						
Opening net book amount	414,113	125,449	2,154	5,645	86,584	633,945
Additions	–	1,720	2,682	–	–	4,402
Disposals	–	(3,694)	(149)	–	–	(3,843)
Currency translation differences	7,026	3,463	(23)	149	2,342	12,957
Amortization charge	–	(15,669)	(2,204)	(5,794)	(13,245)	(36,912)
Impairment provision	–	(798)	–	–	–	(798)
Closing net book amount	421,139	110,471	2,460	–	75,681	609,751
At December 31, 2017						
Cost	440,239	185,088	13,293	17,448	100,324	756,392
Accumulated amortization	–	(65,573)	(10,833)	(17,448)	(24,643)	(118,497)
Impairment provision	(19,100)	(9,044)	–	–	–	(28,144)
Net book amount	421,139	110,471	2,460	–	75,681	609,751

	Goodwill	Patents and trademarks	Software	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2018					
Opening net book amount	421,139	110,471	2,460	75,681	609,751
Additions	4,752	4,122	9,342	–	18,216
Disposals	–	(466)	(70)	–	(536)
Currency translation differences	(7,216)	(394)	68	(869)	(8,411)
Amortization charge	–	(17,156)	(1,402)	(13,324)	(31,882)
Impairment provision *(Note (a))*	(1,058)	(3,885)	–	(34,755)	(39,698)
Closing net book amount	417,617	92,692	10,398	26,733	547,440
At December 31, 2018					
Cost	437,775	184,798	22,378	98,952	743,903
Accumulated amortization	–	(81,522)	(11,980)	(37,464)	(130,966)
Impairment provision	(20,158)	(10,584)	–	(34,755)	(65,497)
Net book amount	417,617	92,692	10,398	26,733	547,440

Amortization charges were expensed off in administrative expenses in the consolidated income statements.

(a) The impairment provision for customer relationship was mainly due to loss of a significant customer who was acquired by competitor in the fourth quarter of 2018.

(b) Goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pretax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

Management monitors the goodwill at each acquired company or group level. The following is a summary of goodwill allocation for each CGU:

	Opening	Addition	Currency translation differences	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2016				
– Subsidiaries in United Kingdom ("UK") *(Note 38)*	–	344,552	(8,241)	336,311
– Subsidiaries in Zhumadian, in the PRC *(i)*	35,740	–	–	35,740
– Other subsidiaries *(ii)*	39,507	–	2,555	42,062
	75,247	344,552	(5,686)	414,113

	Opening	Currency translation differences	Closing
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2017			
– Subsidiaries in UK *(Note 38)*	336,311	8,338	344,649
– Subsidiaries in Zhumadian, in the PRC *(i)*	35,740	–	35,740
– Other subsidiaries *(ii)*	42,062	(1,312)	40,750
	414,113	7,026	421,139

	Opening	Addition	Impairment provision	Currency translation differences	Closing
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 38(b)(ii))			
Year ended December 31, 2018					
– Subsidiaries in UK *(Note 38)*	344,649	–	–	(8,272)	336,377
– Subsidiaries in Zhumadian, in the PRC *(i)*	35,740	–	–	–	35,740
– Other subsidiaries *(ii)*	40,750	4,752	(1,058)	1,056	45,500
	421,139	4,752	(1,058)	(7,216)	417,617

(i) The goodwill arose from the acquisition of Zhumadian CIMC Huajun Vehicle Co., Ltd. and its subsidiaries ("Subsidiaries in Zhumadian") in 2004.

(ii) The goodwill mainly arose from the acquisitions of several subsidiaries of the Group, CIMC Vehicles (Shandong) Co., Ltd., Yangzhou CIMC Tonghua Special Vehicles Co., Ltd., Shandong Wanshida Special Purpose Vehicle Manufacturing Co., Ltd. and CIMC Intermodal Equipment LLC.

Impairment review on the goodwill of the Group had been conducted by the management as of December 31, 2016, 2017 and 2018, according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a 5-year period.

The key assumptions used in the significant CGUs value-in-use calculations are as follows:

	As of December 31,		
	2016	2017	2018
Subsidiaries in UK			
Annual revenue growth rate for 5-year period	(3%)-6%	3%-6%	3%-6%
Gross profit rate	11%-12%	10%-11%	10%-11%
Terminal revenue growth rate	3%	3%	3%
Pretax discount rate	12%	11%	11%

	As of December 31,		
	2016	2017	2018
Subsidiaries in Zhumadian, in the PRC			
Annual revenue growth rate for 5-year period	3%-5%	3%-5%	3%-6%
Gross profit rate	13%-14%	13%-14%	13%-15%
Terminal revenue growth rate	3%	3%	3%
Pretax discount rate	11%	11.5%	11.5%

The recoverable amounts of goodwill is shown as belows:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
– Subsidiaries in UK	382,855	384,968	356,698
– Subsidiaries in Zhumadian, in the PRC	566,288	1,131,720	1,307,461

The headroom of goodwill is shown as belows:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
– Subsidiaries in UK	46,544	40,320	20,321
– Subsidiaries in Zhumadian, in the PRC	530,548	1,095,980	1,271,721

The Group performs sensitivity analysis based on the assumption that annual revenue growth rate for 5-year period or the discount rates have been changed. Had the estimated key assumptions during the forecast period been changed by reasonably possible changes as below, the headroom would be decreased to as below:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Subsidiaries in UK			
Annual revenue growth rate for 5-year period decreases by 0.5%	45,844	35,204	19,417
Discount rate increases by 1%	43,279	32,528	16,417
Subsidiaries in Zhumadian, in the PRC			
Annual revenue growth rate for 5-year period decreases by 0.5%	528,938	1,099,330	1,270,084
Discount rate increases by 1%	526,124	1,094,533	1,263,415

The following table shows the extent to which the key parameters would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	Required change for recoverable amount equals to carrying amount		
	As of December 31,		
	2016	2017	2018
Subsidiaries in UK			
Annual revenue growth rate for 5-year period	When decreased by 8.32%	When decreased by 23.10%	When decreased by 11.37%
Discount rate	When increased by 13.02%	When increased by 10.20%	When increased by 5.27%

As disclosed above, for the goodwill of the subsidiaries in UK and the goodwill of the subsidiaries in Zhumadian, a reasonably possible change in key parameters (forecast annual revenue growth rate for 5-year period and discount rate) would not cause its carrying amount to exceed its recoverable amount as of December 31, 2016, 2017 and 2018 respectively.

19 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries, at cost	2,774,486	3,049,028	2,940,559

(a) During the Track Record Period, the Group had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Direct holding												
CIMC Vehicle Investment	BVI	Investment holding	March 6, 1998	USD1		100%	100%	100%	100%	i	i	xiv
Yangzhou CIMC Tonghua Special Vehicles Co., Ltd.	Jiangsu, the PRC	Manufacturing and sales of trailers, semi-trailers and specialty vehicles; after-sales repairing service	December 14, 1991	RMB434,300,000		100%	100%	100%	100%	i	i	i
Manson Technology Limited	Hong Kong	Investment holding	April 26, 2000	HKD10,000		100%	100%	100%	100%	i	i	xiv
Wuhu CIMC Ruijiang Automobile Co., Ltd.	Anhui, the PRC	Development, production and sales of various special vehicles, ordinary mechanical products and metal structure parts	March 26, 2007	RMB161,780,000		72%	72%	72%	72%	i	i	i
Luoyang CIMC Lingyu Automobile Co., Ltd.	Henan, the PRC	Production and sales of passenger transport vehicles, tank transport vehicles; processing of machines; import and export business	March 8, 2007	RMB135,470,000		71%	71%	71%	71%	ii	ii	ii
Liangshan CIMC Dongyue Vehicles Co., Ltd.	Shandong, the PRC	Production and sales of trailers, specific vehicles and relevant parts	October 16, 2007	RMB90,000,000		70%	70%	70%	70%	ii	ii	ii
Beijing CIMC Vehicle Logistics Equipment Co., Ltd.	Beijing, the PRC	Construction and operation of storage supporting facilities	October 10, 2005	RMB6,000,000	xvii	30%	30%	N/A	N/A	ii	ii	N/A
Guangzhou CIMC Vehicle Sales Services Co., Ltd.	Guangdong, the PRC	Sales of cars, auto parts and components, wholesale and retail of products; information and trade consulting services; import and export of technologies and trade agency	July 28, 2017	RMB30,010,000	xviii	N/A	100%	100%	100%	N/A	ii	ii
Shenzhen CIMC Vehicle Marketing Service Co., Ltd.	Guangdong, the PRC	Sales of kinds of specific vehicles, engineering machinery and automotive chassis parts	October 24, 2008	RMB15,000,000		100%	100%	100%	100%	ii	ii	ii
Zhumadian CIMC Huajun Automobile Trading Co., Ltd.	Henan, the PRC	Sales of brand cars (operating with letter of authorization); sales of trailers, farm vehicles and relevant parts; automobile decoration; operation of FAW car; repair of cars	August 14, 2009	RMB10,000,000		100%	100%	100%	100%	ii	ii	ii

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	December 31, 2017	December 31, 2018	The date of this report	Name of statutory auditors 2016	2017	2018
CIMC Vehicle (Jiangmen) Co., Ltd.	Guangdong, the PRC	Services; sales of automobile excluding those subject to management of automobile brand marketing	December 3, 2004	RMB141,215,000	xvi	100%	100%	76.59%	76.59%	ii	ii	ii
Tianjin CIMC Vehicle Logistics Equipment Co., Ltd.	Tianjin, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; leasing of logistics equipment; storage services	August 21, 2006	RMB10,000,000		100%	100%	100%	100%	ii	ii	ii
Guangzhou CIMC Vehicle Logistics Equipment Co., Ltd.	Guangdong, the PRC	Wholesale and retail of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; maintenance of mechanical equipment	January 15, 2007	RMB15,000,000		100%	100%	100%	100%	ii	ii	ii
CIMC Vehicle (Group) Xinjiang Co., Ltd.	Xinjiang, the PRC	Production and sales of mechanical equipment and development of relevant technology	June 29, 2007	RMB80,000,000		100%	100%	100%	100%	ii	ii	ii
Sichuan CIMC Vehicle Logistics Equipment Co., Ltd.	Sichuan, the PRC	Sales of cars, wholesale and retail of goods, leasing and storage	December 17, 2007	RMB5,000,000		100%	100%	100%	100%	ii	ii	ii
Liaoning CIMC Vehicle Logistics Equipment Co., Ltd.	Liaoning, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; leasing of logistics equipment; storage services	December 7, 2007	RMB5,000,000		100%	100%	100%	100%	ii	ii	ii
Shaanxi CIMC Vehicle Sales Service Co., Ltd.	Shaanxi, the PRC	Sales of cars and auto parts	April 21, 2008	RMB5,000,000		100%	100%	100%	100%	ii	ii	ii
Shenzhen CIMC Vehicle Marketing Co., Ltd.	Guangdong, the PRC	Sales of kinds of specific vehicles, engineering machinery and automotive chassis parts	May 28, 2004	RMB6,500,000		100%	100%	100%	100%	ii	ii	ii
Shenzhen CIMC Vehicles Park Investment and Management Co., Ltd.	Guangdong, the PRC	Initiation of industries; leasing of houses and sites; property management	April 15, 2011	RMB152,500,000	xxiii	100%	100%	N/A	N/A	ii	ii	N/A
Xiamen CIMC Vehicle Logistics Equipment Co., Ltd.	Fujian, the PRC	Wholesale and retail of cars and auto parts, driving for container, metal materials, mechanical and electrical equipment; maintenance of mechanical equipment	September 27, 2007	RMB500,000		100%	100%	100%	100%	ii	ii	ii

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Nanning CIMC Vehicle Logistics Equipment Co., Ltd.	Guangxi, the PRC	Sales of special vehicles and semitrailers; purchasing and selling agency of auto parts, metal materials, hardware and electrical equipment and electromechanical equipment; maintenance of mechanical equipment	December 12, 2007	RMB500,000		100%	100%	100%	100%	ii	ii	ii
Chongqing CIMC Vehicle Sales Service Co., Ltd.	Chongqing, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; maintenance of mechanical equipment; storage services; import and export of goods	December 10, 2007	RMB500,000		100%	100%	100%	100%	ii	ii	ii
Xinjiang CIMC Vehicle Logistics Equipment Co., Ltd.	Xinjiang, the PRC	Sales of hardware and electrical equipment, electromechanical equipment and chemical products; maintenance of mechanical equipment; storage of logistic equipment; leasing and retreading of tires	September 6, 2007	RMB500,000		100%	100%	100%	100%	ii	ii	ii
Hubei CIMC Vehicle Sales Service Co., Ltd.	Hubei, the PRC	Sales of cars and relevant services; sales of auto parts, metal materials, hardware and electronic equipment, mechanical equipment and chemical products; storage services	September 24, 2007	RMB500,000		100%	100%	100%	100%	ii	ii	ii
Zhejiang CIMC Vehicle Sales Services Co., Ltd..	Zhejiang, the PRC	Wholesale and retail of cars, auto parts, metal materials and mechanical equipment; maintenance of common machines	November 28, 2006	RMB5,000,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Anhui CIMC Vehicle Logistics Equipment Co., Ltd.	Anhui, the PRC	Wholesale and retail of non-passenger cars, auto parts, metal materials and mechanical equipment; maintenance of common machines	January 25, 2007	RMB500,000		100%	100%	100%	100%	iii	iii	xiv

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of				Name of statutory auditors		
						December 31,			The date of this report			
						2016	2017	2018		2016	2017	2018
Jinan CIMC Vehicle Logistics Equipment Co., Ltd.	Shandong, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and mechanical equipment; import and export trading; maintenance of mechanical equipment	March 28, 2008	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Hunan CIMC Vehicle Sales Services Co., Ltd.	Hunan, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; import and export of goods and technologies	December 4, 2007	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Jiangsu CIMC Vehicle Sales Services Co., Ltd.	Jiangsu, the PRC	Sales of cars; wholesale and retail of auto parts, metal materials, hardware and electrical equipment, electromechanical equipment and chemical products; maintenance of mechanical equipment; leasing and sales of tires	April 8, 2008	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Kunming CIMC Vehicle Sales Services Co., Ltd..	Yunnan, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; import and export of goods and technologies	December 13, 2007	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Zhengzhou CIMC Vehicle Sales Services Co., Ltd..	Henan, the PRC	Commercial vehicles, auto parts, metal materials, hardware and electrical equipment, electromechanical equipment, chemical products; import and export of goods and technologies	April 16, 2008	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Shijiazhuang CIMC Vehicle Sales Services Co., Ltd..	Hebei, the PRC	Sales of auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; storage services; chemical products, maintenance of mechanical equipment and tire leasing	October 26, 2007	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	December 31, 2017	December 31, 2018	The date of this report	Name of statutory auditors 2016	2017	2018
Shanxi CIMC Vehicle Sales Services Co., Ltd.	Shanxi, the PRC	Sales of auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; storage services; chemical products, maintenance of mechanical equipment and tire leasing	September 6, 2007	RMB500,000	xix	100%	100%	N/A	N/A	iii	iii	N/A
Inner Mongolia CIMC Vehicle Logistics Equipment Co., Ltd.	Neimenggu, the PRC	Sales of cars, auto parts, metal materials, hardware and electrical equipment, and electromechanical equipment; storage services; chemical products, maintenance of mechanical equipment; tire leasing	September 20, 2007	RMB500,000		100%	100%	100%	100%	iii	iii	xiv
Jiangxi CIMC Vehicle Logistics Equipment Co., Ltd.	Jiangxi, the PRC	Import and export of all kinds of commodities and technologies, including automobiles, auto parts, metal materials, hardware and electrical equipment, machinery and equipment, and import and export business; and maintenance of machinery and equipment	April 22, 2008	RMB10,000,000	xx	100%	N/A	N/A	N/A	iii	N/A	N/A
Zhumadian CIMC Wanjia Axle Co., Ltd.	Henan, the PRC	Design, production, sales and technical service of vehicle axles and other auto parts	October 11, 2017	RMB12,000,000	xviii	N/A	100%	100%	100%	N/A	iii	ii

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Indirect holding												
Gansu CIMC Huajun Vehicles Co., Ltd.	Gansu, the PRC	Refitting of special vehicle, trailer and fittings, production of auto parts; sales of raw materials relating to car, autocycle and metals and chemicals	June 6, 2006	RMB25,000,000		100%	100%	100%	100%	ii	ii	ii
Shandong Wanshida Special Purpose Vehicle Manufacturing Co., Ltd. . .	Shandong, the PRC	Production and sales of trailer, specific vehicles and relevant parts	March 1, 2007	RMB66,000,000		100%	100%	100%	100%	ii	ii	ii
Dongguan CIMC Special Vehicle Co., Ltd.	Guangdong, the PRC	Development, production and sales of all kinds of high-tech and high-performance special vehicles, refitted vehicles, specific semitrailer series (these products cannot be produced until the national authority makes announcement) and their spare parts, new mechanical equipment for road and port, containers, folding boxes, special containers, general mechanical products and metal structures; technical after-sales services; import and export of goods and technologies	July 21, 2014	RMB64,790,000		100%	100%	100%	100%	ii	ii	ii
Shanghai CIMC Automobile Examination and Repair Co., Ltd.	Shanghai, the PRC	Test and repair of cars; commission on buying and selling of auto parts, decoration materials, marine parts, hardware and electrical equipment, rubber and plastic products, electric wire and cables	June 1, 1989	RMB1,130,000		100%	100%	100%	100%	ii	ii	ii

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Shanghai CIMC Baojian Vehicle Comprehensive Inspection Co., Ltd.	Shanghai, the PRC	Inspection of integrated performance for motor vehicles; storage of vehicles	December 18, 2006	RMB3,300,000		79%	79%	79%	79%	ii	ii	ii
Shaanxi CIMC Vehicle Industrial Park Property Management Co., Ltd.	Shaanxi, the PRC	Property management; housing lease and agency; operation and management of parking lot; enterprise marketing, planning and management; hotel management; household services; assurance agency; asset management (currency assets excluded); advertisement publication; operation and management of auto part market and auto decoration market; operation and management of secondhand trade market	November 6, 2012	RMB80,000,000	xxiii	100%	100%	N/A	N/A	ii	ii	N/A
Shaanxi CIMC Vehicle Industrial Park Investment and Development Co., Ltd.	Shaanxi, the PRC	Investment on commerce, industrial and real estate projects with self-owned assets and real estate development; property management; sales of cars, metal materials and electromechanical equipment	August 26, 2014	RMB500,000	xxiii	100%	100%	N/A	N/A	ii	ii	N/A
Shenyang CIMC Industrial Park Investment and Development Co., Ltd.	Liaoning, the PRC	Investment management; assets trustee management	November 22, 2013	RMB50,000,000	xxiii	100%	100%	N/A	N/A	ii	ii	N/A
Chengdu CIMC Traffic Equipment Manufacturing Co., Ltd.	Sichuan, the PRC	Development, production and sales of auto parts and fittings, mechanical products, metal components; relevant consultation and after-sales services; leasing of houses; storage services (hazardous articles excluded)	September 26, 2012	RMB15,000,000	xxiii	100%	100%	N/A	N/A	ii	ii	N/A

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Beijing CIMC Vehicle Sales Services Co., Ltd.	Beijing, the PRC	Sales of cars, auto parts and metal materials; cargo exports and imports; repair of mechanical equipment; insurance agency	March 9, 2006	RMB5,000,000		100%	100%	100%	100%	ii	ii	ii
Tianjin Ximake Transportation Service Co., Ltd.	Tianjin, the PRC	Sales of cars and auto parts	June 19, 2008	RMB500,000		100%	100%	100%	100%	ii	ii	xiv
Shanghai CIMC Vehicle Sales Services Co., Ltd..	Shanghai, the PRC	Wholesale and retail of auto parts; sales of cars (sedan car excluded); processing, assembly and maintenance of vans, etc.	May 19, 2003	RMB5,000,000		100%	100%	100%	100%	ii	ii	ii
Shanghai Ximake Transportation Service Co., Ltd.	Shanghai, the PRC	Sales of cars and auto parts	October 25, 2005	RMB500,000		100%	100%	100%	100%	ii	ii	ii
Shenyang CIMC Vehicle Market Management Co., Ltd.	Liaoning, the PRC	Management of secondhand car market, trading of secondhand cars and business consultancy; wholesale and retail of cars and parts; registration and test services for motor vehicles; house leasing and agency	May 23, 2017	RMB500,000	xxiii	N/A	100%	N/A	N/A	N/A	ii	N/A
Guangzhou CIMC Vehicle Drop and Pull Leasing Co., Ltd.	Guangdong, the PRC	Operation of roads and parking lots; leasing of cars, containers and machinery equipment; wholesale and retail of auto parts; commodity information technology consulting service, freight transport, etc.	May 19, 2017	RMB3,500,000	xviii	N/A	70%	70%	70%	N/A	ii	ii
Shanghai Rongji Logistics Co., Ltd.	Shanghai, the PRC	Land transport of freights; leasing of cars and storage services	December 7, 2016	RMB6,000,000	xviii	N/A	100%	100%	100%	N/A	ii	ii
Shenzhen Shengji Logistics and Transportation Co., Ltd..	Shenzhen, the PRC	International and domestic freight forwarding agency; leasing of cars	October 28, 2016	RMB6,000,000	xviii	N/A	100%	100%	100%	N/A	ii	ii
Wuhan Shengji Logistics and Transportation Co., Ltd..	Hubei, the PRC	General freight; leasing of containers and automobiles	November 4, 2016	RMB6,000,000	xviii	N/A	100%	100%	100%	N/A	ii	ii

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Shenyang Pengji Second-handed Vehicle Marketing Management Co., Ltd.	Liaoning, the PRC	Marketing and sales of secondhand vehicles and related business consultation; Wholesale and retail of cars and auto parts	March 7, 2016	RMB13,200,000	xxiii	100%	100%	N/A	N/A	iii	iii	N/A
Charm Beat Enterprises Limited	BVI	Holding investment	November 12, 2007	USD1		100%	100%	100%	100%	iii	iii	xiv
CIMC Intermodal Equipment LLC.	USA	Manufacturing of transport vehicles and relevant services	April 1, 2008	USD10,000,000		100%	100%	100%	100%	iv	iv	iv
Exploitatiemaatschappij Intraprogres B.V.	Holland	Investment holding	May 3, 1983	EUR15,925		100%	100%	100%	100%	iii	iii	xiv
Lag Trailers NV Bree	Belgium	Manufacturing of transport vehicles and relevant services	January 29, 1996	EUR2,996,664		100%	100%	100%	100%	xi	xi	iv
Immoburg NV	Belgium	Manufacturing of transport vehicles and relevant services	March 7, 1996	EUR247,752		100%	100%	100%	100%	xi	xi	iv
LAG Polska Sp.z.o.o.	Poland	Manufacturing of transport vehicles and relevant services	February 19, 2003	PLN51,800		100%	100%	100%	100%	iii	iii	xiv
LAG Service Polska Sp.z.o.o.	Poland	Manufacturing of transport vehicles and relevant services	May 8, 2001	PLN50,000		100%	100%	100%	100%	iii	iii	xiv
LAG Immopolska Sp.z.o.o.	Poland	Manufacturing of transport vehicles and relevant services	April 1, 2010	PLN5,000		100%	100%	100%	100%	iii	iii	xiv
CIMC TRAILER RUS LLC	Moscow, Russian Federation	Sales of transport vehicles and relevant services	October 12, 2015	RUB60,000,000		100%	100%	100%	100%	vi	vi	vi
Retlan Manufacturing Limited ("Retlan")	Retlan	Manufacture and sales of transport vehicles and relevant services	May 14, 1988	GBP690,000	xxi	100%	100%	100%	100%	ix	ix	xiv
MDF Engineering Ltd.	MDF	Manufacture and sales of transport vehicles and relevant services	May 19, 1988	GBP10,000	xxi	100%	100%	100%	100%	ix	ix	xiv
SDC Trailers Ltd.	SDC	Manufacturing and sales of semi-trailers	April 9, 1982	GBP146,000	xxi	100%	100%	100%	100%	ix	ix	xiv
CIMC Commercial Tires Inc	Leopard Fleet	Retreading and sales of used tires, sale of new tires and related services	November 18, 2015	USD825,000		55%	55%	55%	55%	iv	iv	iv
CIMC USA, Inc.	USA	Investment holding	November 21, 2002	USD10		100%	100%	100%	100%	iv	iv	iv

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
Vanguard National Trailer Corporation	USA	Manufacturing and sales of dry van trailers	April 11, 2003	USD10		100%	100%	100%	100%	iv	iv	iv
CIMC Reefer Trailer, Inc.	USA	Manufacturing of transport vehicles and relevant services	July 17, 2009	USD10		100%	100%	100%	100%	iv	iv	iv
CIMC Vehicles (HK) Limited	HK	Production and sales of kinds of special vehicles	November 18, 1998	HKD10,000		100%	100%	100%	100%	v	v	xiv
CIMC Holdings Australia Pty Ltd.	Melbourne, Au	Investment holding	April 18, 2007	AUD0		100%	100%	100%	100%	vii	vii	vii
CIMC Vehicle Australia Pty Ltd.	Melbourne, Au	Manufacturing of transport vehicles and relevant services	April 18, 2007	AUD100,000		100%	100%	100%	100%	vii	vii	vii
Marshall Lethlean Industries Pty Ltd.	Melbourne, Au	Investment holding	April 18, 2007	AUD100,000		100%	100%	100%	100%	vii	vii	vii
CIMC Australia Road Transport Equipment Pty Ltd.	Australia	Investment holding	October 2, 2013	AUD8,300,000		100%	100%	100%	100%	vii	vii	vii
General Transport Equipment Pty Ltd.	Australia	Manufacturing of transport vehicles and relevant services	November 7, 1979	AUD24		100%	100%	100%	100%	vii	vii	vii
CIMC Vehicle Europe Coöperatief U.A.	Holland	Investment holding	November 17, 2015	EUR 50,000		100%	100%	100%	100%	iii	iii	xiv
CIMC Vehicle (Thailand) Co., Ltd.	Thailand	Manufacturing of transport vehicles and relevant services	May 18, 2007	THB213,200,000		82%	82%	82%	82%	viii	viii	viii
Burg Carrosserie B.V.	Holland	Investment holding	January 4, 1991	EUR18,151.21		100%	100%	100%	100%	iii	iii	xiv
CIMC Rolling Stock Australia Pty Ltd.	Melbourne, Au	Manufacturing and leasing of transport vehicles and relevant services	July 16, 1998	AUD50,000		100%	100%	100%	100%	vii	vii	xiv
CIMC Vehicles (Malaysia) Sdn Bhd.	Malaysia	Sales of transport vehicles and relevant services	February 25, 2015	USD1,000,000		100%	100%	100%	100%	x	x	x
CIMC Trailer Poland Sp. z.o.o.	Gdansk, Poland	Manufacturing of transport vehicles and relevant services	May 4, 2015	EUR3,000,000		100%	100%	100%	100%	xi	xi	xiv
CIMC Vehicles South Africa (Pty) Ltd.	South Africa	Manufacture and sales of transport vehicles and relevant services	June 10, 2015	ZAR100		100%	100%	100%	100%	xi	xi	xiv
CIMC Vehicles (Viet Nam) Co., Ltd.	Vietnam	Sales of transport vehicles and relevant services	November 16, 2016	USD1,000,000		100%	100%	100%	100%	xii	xii	xii
CIMC Vehicles (Bahrain) Factory WLL	BAHRAINI	Sales of transport vehicles and relevant services	April 11, 2016	Bahrain Dinar 565,000		70%	70%	70%	70%	iv	iv	xiv

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
CIMC Vehicles UK Limited ("CIMC Vehicles UK")	Northern Ireland, UK	Investment holding	April 7, 2016	GBP1,000,000		100%	100%	100%	100%	xiii	xiii	xiv
Burg Trailer Service B.V.	Holland	Manufacturing of transport vehicles and relevant services	August 20, 2009	EUR18,000		100%	100%	100%	100%	iii	iii	xiv
CIMC Vehicle Europe GmbH	Germany	Investment holding	January 8, 2015	EUR25,000		100%	100%	100%	100%	iii	iii	xiv
Chengdu CIMC Industrial Park Management Co., Ltd.	Sichuan, the PRC	Industrial park management; property management; maintenance and maintenance of public facilities	August 23, 2010	RMB2,000,000	xxiv	100%	100%	N/A	N/A	ii	ii	N/A
Growth Fortune (Pty) Ltd.	South Africa	Project investment, real estate development; property management and related services	November 20, 2017	ZAR5,175	xviii	N/A	N/A	100%	100%	N/A	N/A	xiv
Direct and indirect holding												
Zhumadian CIMC Huajun Vehicle Co., Ltd.	Henan, the PRC	Manufacturing and sales of specialty vehicles and trailers	October 30, 1997	RMB205,340,000		100%	100%	100%	100%	i	i	i
Shenzhen CIMC Vehicle Co., Ltd.	Guangdong, the PRC	Development, manufacturing and sales of semi-trailers, specialty vehicles, and new machinery equipments for roads and ports; after-sales services	May 17, 2004	RMB200,000,000		100%	100%	100%	100%	i	i	i
CIMC Vehicles (Shandong) Co., Ltd.	Shandong, the PRC	Development and manufacturing of refrigerator cars, tank trucks, semitrailers, van vehicles, special vehicles and other kinds of serials products, and rendering of technical services	February 18, 1993	USD18,930,000		87%	87%	87%	87%	ii	ii	ii
Qingdao CIMC Special Vehicle Co., Ltd. ("Qingdao Special Vehicle")	Shandong, the PRC	Development, production and sales of kinds of special vehicles, semitrailer and relevant parts; relevant consultation and after-sales services	November 1, 2004	RMB62,880,000	xxii	55.66%	55.66%	100%	100%	ii	ii	ii
Shanghai CIMC Vehicle Logistics Equipment Co., Ltd.	Shanghai, the PRC	Development and construction of storage and supporting facilities, operation, leasing and sales of property, property management and relevant services	January 21, 2005	RMB90,200,000		100%	100%	100%	100%	ii	ii	ii
CIMC Vehicles (Liaoning) Co., Ltd.	Liaoning, the PRC	Development and production of kinds of semitrailer, special vehicles and relevant parts, and providing relevant technical services	December 9, 2005	RMB60,000,000		100%	100%	100%	100%	ii	ii	ii

Name	Place of incorporation	Principal activities	Date of incorporation/ establishment	Registered/ issued and paid up capital	Note	Percentage of shareholding held by the Group as of December 31, 2016	2017	2018	The date of this report	Name of statutory auditors 2016	2017	2018
CIMC-SHAC (Xi'an) Special Vehicles Co., Ltd.	Shaanxi, the PRC	Development and production of kinds of semitrailer, special vehicles and relevant parts, and providing relevant technical services	September 20, 2006	RMB50,000,000		75%	75%	75%	75%	ii	ii	ii
Qingdao CIMC Eco-Equipment Co., Ltd.	Shandong, the PRC	Research and development ("R&D"), manufacturing, and sales of refuse disposal vehicles and parts, and relevant services	June 8, 2007	RMB137,930,000		100%	100%	100%	100%	ii	ii	ii
Chengdu CIMC Industrial Park Investment and Development Co., Ltd.	Sichuan, the PRC	Project investment, real estate development; warehousing services (excluding hazardous chemicals); property management and related services	February 10, 2010	RMB60,000,000	xxv	100%	100%	N/A	N/A	ii	ii	N/A
Zhumadian CIMC Huajun Casting Co., Ltd.	Henan, the PRC	Production, processing, sales and R&D of casting parts; R&D, manufacturing and sales of auto parts and mechanical parts	August 12, 2010	RMB297,760,000		100%	100%	100%	100%	ii	ii	ii
China Jiangsu Vanguard Trailer Rental Co., Ltd.	Jiangsu, the PRC	Leasing of cars and machinery equipment	August 4, 2017	RMB160,000,000	xviii	N/A	80%	80%	80%	N/A	ii	ii
Shanghai CIMC Special Vehicles Co., Ltd.	Shanghai, the PRC	Development and production of van semitrailers and van vehicles	October 18, 2007	RMB10,000,000		100%	100%	100%	100%	ii	ii	ii
CIMC Jidong (Qinhuangdao) Vehicle Manufacture Co., Ltd.	Hebei, the PRC	Sales of cars Sales of cars and auto parts and auto parts	April 10, 2008	RMB70,000		75%	75%	75%	75%	ii	ii	ii
Qingdao CIMC Reefer Trailer Co., Ltd. ("Qingdao Reefer")	Shandong, the PRC	Manufacturing and sales of kinds of transportation equipment such as refrigerating and insulating equipment, and providing relevant technical services and maintenance	November 30, 2007	USD29,400,000	Note 41	65.99%	65.99%	65.99%	100%	ii	ii	ii
Jiangsu Baojing Auto Parts Co., Ltd. ("Jiangsu Baojing")	Jiangsu, the PRC	Design and production of automotive axle tubes and other components, technical services	February 24, 2016	RMB50,000,000	Note 38(b)(ii)	N/A	N/A	100%	100%	N/A	N/A	xiv

Notes:

(i) These entities were audited by PricewaterhouseCoopers Zhong Tian LLP Shenzhen Branch.

(ii) These entities were audited by Pan-China Certified Public Accountants LLP Guangdong Branch.

(iii) These entities were not audited.

(iv) These entities were audited by RSM US LLP and RSM Bahrain, respectively.

(v) The entity was audited by SHINEWING (HK) CPA Limited.

(vi) The entity was audited by Limited Liability Company PARUS-AUDIT.

(vii) These entities were audited by Reliance Auditing Services.

(viii) These entities were audited by TACHAPON SOMBATPIBOON C.P.A (Thailand).

(ix) These entities were audited by ASM (M) Ltd..

(x) The entity was audited by ROGER YUE, TAN & ASSOCIATES.

(xi) These entities were audited by Mazars Bedrijfsrevisoren CVBA, Mazars Audyt Sp.z.o.o. and Mazars NL (Holland), respectively.

(xii) The entity was audited by INDEPENDENT AUDITING CONSULTING CO., LTD..

(xiii) The entity was audited by Deloitte (NI) Limited.

(xiv) Up to date of this report, the statutory financial statements of these companies for the year ended December 31, 2018 are yet to be issued.

(xv) The fiscal year of those subsidiaries mentioned above are all from January 1 to December 31.

(xvi) In 2018, minority shareholder increased its equity interests held.

(xvii) The Company's shareholding ratio in Beijing CIMC Vehicle Logistics Equipment Co., Ltd. is 30%. The key financial and operational decisions of the entity's related activities are made by the board of directors, and the decision of the board shall be passed by more than half of all directors. As the board of directors of Beijing CIMC Vehicle Logistics Equipment Co., Ltd. consists of 4 members and the Company has 3 board seats, therefore, the voting rights of the Company are 75% and it was accounted for as a subsidiary. In January 2018, the Company disposed of this entity at a consideration of RMB50,000,000. The net gain on the disposal was RMB47,015,000 (Note 27(a)).

(xviii) These subsidiaries were newly set up in respective year.

(xix) These subsidiaries were deregistered and closed in 2018.

(xx) The entity was deregistered and closed in March 2017.

(xxi) These entities were acquired in 2016 (Note 38).

(xxii) On November 30, 2018, the Company entered into an equity transfer agreement with CIMC Group, non-controlling shareholder of Qingdao Special Vehicle, pursuant to which the Company agreed to acquire the remaining 44.34% equity interest at a cash consideration of approximately RMB41,075,000. As of December 31, 2018, the acquisition has been completed, and Qingdao Special Vehicle became the wholly owned subsidiary of the Company.

(xxiii) In September 2018, the Company transferred 100% equity interest of these subsidiaries mentioned above to a subsidiary of CIMC Group with a consideration of RMB122,350,000. The net gain on the disposal was RMB4,005,000.

(xxiv) In September 2018, the Company transferred 60% equity interest of these two subsidiaries mentioned above, to a subsidiary of CIMC Group with a consideration of RMB91,640,000. The net loss on the disposal was RMB1,465,000.

(b) Material non-controlling interests

There was no subsidiary which has non-controlling interests that are material to the Group.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Assets as per consolidated balance sheets			
Financial asset at fair value through profit or loss:			
– Financial asset at fair value through profit or loss *(Note 25)*	–	408,000	–
– Derivative financial instruments	1,306	1,504	3,496
	1,306	409,504	3,496
Financial asset at amortized cost:			
– Trade and bill receivables *(Note 23)*	2,843,960	2,817,423	3,567,428
– Other receivables (excluding prepayments) *(Note 24)*	332,560	248,761	295,829
– Loans to related parties *(Note 39)*	719,170	252,525	174,846
– Restricted cash *(Note 26(b))*	84,629	171,996	140,098
– Cash and cash equivalents *(Note 26(a))*	1,780,266	2,810,813	2,616,979
	5,760,585	6,301,518	6,795,180
Liabilities as per consolidated balance sheets			
Financial liabilities at fair value through profit or loss:			
– Contingent consideration *(Note 38)*	125,522	–	–
– Derivative financial instruments	4,244	1,351	376
	129,766	1,351	376
Financial liabilities at amortized cost:			
– Trade and bill payables *(Note 31)*	2,578,669	2,607,594	3,066,537
– Other payables and accruals (excluding, payroll and welfare payables, other tax payables and contingent consideration, etc.) *(Note 32)*	933,029	1,748,680	812,562
– Borrowings *(Note 30)*	2,161,958	2,450,233	2,291,249
	5,673,656	6,806,507	6,170,348

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Group

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Associates *(a)*	143,117	175,072	230,882
A joint venture *(b)*	10,675	11,132	–
	153,792	186,204	230,882

(a) Investments in associates

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	50,100	143,117	175,072
Additions	91,505	40,181	85,683
Disposal	(484)	(600)	(24,143)
Share of profits/(losses) of associates	3,451	(3,181)	5,589
Dividends	(1,455)	(4,445)	(11,319)
At the end of the year	143,117	175,072	230,882

Set out below are the associates of the Group during the Track Record Period. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name	Place of incorporation	Percentage of ownership interest attributable to the Group December 31, 2016	2017	2018	Principal activities
Xxentria Technology Materials (China) Co., Ltd.	the PRC	40%	40%	40%	Development, manufacture and sale of environmentally friendly composite materials, building materials
Shanghai Xiangtong Automotive Components Company Limited *(ii)*	the PRC	20%	N/A	N/A	Sales of auto parts, commercial vehicles, mechanical equipment and accessories, maintenance of mechanical equipment
CIMC Arabia Factory Company Limited	Saudi Arabia	30%	30%	30%	Sales of auto parts, commercial vehicles, mechanical equipment and accessories, maintenance of mechanical equipment
Senju (Shanghai) International Trade Co., Ltd.	the PRC	30%	30%	30%	Import and export, commission agents and provide related services; international trade
Shenzhen CADRO Hydraulic Equipment Co., Ltd. *(i)*	the PRC	7%	7%	7%	Technical development, sales, software development, technical consultation of hydraulic machinery equipment
Tianjin Kangde Logistics Equipment Co., Ltd. *(iv)*	the PRC	45%	45%	45%	Design, installation services and maintenance of logistics equipment and related components and steel structures Service and related business consulting
Tianjin CIMC Logistics Equipment Co., Ltd. *(iv) (v)*	the PRC	25%	45%	45%	R&D, design, manufacture, sales, installation, maintenance and technical consultation, technology transfer, technical services of logistics equipment
Shenyang Beixin Vehicle Detection Co., Ltd. *(iii)*	the PRC	40%	40%	N/A	Motor vehicle testing service; comprehensive vehicle performance testing; annual review procedures; vehicle annual review information consultation
Burgers Carrosserie BV	the PRC	33%	33%	33%	Manufacturing of flatbed semi-trailers, container chassis, curtain-sider semi-trailers, lowbed semi-trailers
Shanghai Xinbaiqin Special Vehicle Co., Ltd. *(vi)*	the PRC	N/A	41%	20%	Production and sales of bulk feed transportation vehicles and accessories, machinery and equipment
Shenzhen Xinghuo Chelian Technology Co., Ltd.	the PRC	N/A	35%	35%	Computer database, computer system analysis; provision of computer technology services and consulting; e-commerce, network business services, database services and consulting
Shenzhen CIMC Cold Chain Technology Co., Ltd. *(i)*	the PRC	N/A	19%	19%	Refrigeration equipment design, R&D and sales; cold chain equipment leasing; cold chain technical consultation
Ningbo Huaxiang Automotive New Material Technology Co., Ltd.	the PRC	N/A	40%	40%	Design, development, production and sales of composite leaf springs and swing arm products for commercial vehicles, trucks and trailers
Zhenjiang Shen Xing Tai Bao Technology Co., Ltd.	the PRC	N/A	20%	20%	Production, processing and sales of security products, electronic products, automotive semi-trailer accessories

Name	Place of incorporation	Percentage of ownership interest attributable to the Group December 31, 2016	2017	2018	Principal activities
Shenzhen Shuxiang Technology Co., Ltd.	the PRC	N/A	N/A	45%	Technical development, technical consulting, technical services and equipment development in the field of automatic driving in semi-trailer and commercial vehicles
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. *(i)* . . .	the PRC	N/A	N/A	10%	Supply chain management; business import and export business; sales of steel, aluminum, green recycling materials; business e-commerce; investment management; investment in industrial development (specific projects to be declared separately); business management consulting; business consulting; public relations activities organization planning
Chengdu CIMC Industrial Park Investment and Development Co., Ltd. *(Note 19(xxviii))* . . .	the PRC	N/A	N/A	40%	Project investment, real estate development; warehousing services (excluding hazardous chemicals); property management and related services
Jiangsu Baojing *(Note 38(b)(ii))*. .	the PRC	48%	48%	N/A	Design and production of automotive axle tubes and other components; technical services

As of December 31, 2016, 2017 and 2018 there were no contingent liabilities relating to the Group's interest in the associates and there were no associate that is material to the Group.

Notes:

(i) Although the equity interest held by the Group in these companies is below 20%, the Group has the right to appoint a director and has significant influence on these companies.

(ii) On January 31, 2017, Shanghai Xiangtong Automotive Components Company Limited was disposed.

(iii) On March 31, 2018, Shenyang Beixin Vehicle Detection Co., Ltd. was disposed.

(iv) In 2016, the Group acquired the equity interests of these two companies from CIMC Group and its subsidiaries at a consideration of RMB8,944,000 and RMB32,370,000, respectively (Note 39).

(v) In 2017, the Group acquired additional 20% equity interests from CIMC Group's subsidiary at a consideration of RMB17,350,000 (Note 39).

(vi) Due to the dilution of equity caused by the increase of other shareholders' capital contribution, the equity interest held by the Company decreased from 41% to 20%.

The tables below provide summarized financial information of all associates, which are individually immaterial to the Group.

	Year ended December 31, 2016	2017	2018
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	143,117	175,072	230,882
Aggregate amounts of the Group's share of:			
Profits/(losses) from continuing operations	3,451	(3,181)	5,589
Total comprehensive income	3,451	(3,181)	5,589

(b) Investment in a joint venture

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	10,882	10,675	11,132
Share of profits of a joint venture	797	457	186
Disposal	–	–	(11,318)
Dividends	(1,004)	–	–
At the end of the year	10,675	11,132	–

(c) Investments in associates – Company

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	22,277	59,777	94,437
Additions	37,347	38,069	84,198
Disposal	(490)	(600)	(8,172)
Share of profits/(losses) of associates	1,370	(1,456)	2,807
Dividends	(727)	(1,353)	(5,091)
At the end of the year	59,777	94,437	168,179

22 INVENTORIES

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Finished goods	1,118,697	1,494,422	1,251,506
Raw materials	1,138,194	1,246,870	1,486,071
Work in progress	1,035,803	854,830	834,415
Spare parts	185,438	157,548	190,709
	3,478,132	3,753,670	3,762,701
Less: provision for impairment	(184,832)	(193,341)	(180,371)
	3,293,300	3,560,329	3,582,330

The cost of inventories recognized as expenses and included in "cost of sales" amounted to approximately RMB11,956,095,000, RMB16,013,120,000 and RMB20,876,665,000 for the years ended December 31, 2016, 2017 and 2018 respectively.

Movements on the Group's provision for inventories are as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	167,243	184,832	193,341
Provision for impairment	40,487	64,663	39,089
Write-off of inventories	(24,193)	(56,964)	(52,455)
Currency translation differences	1,295	810	396
At the end of the year	184,832	193,341	180,371

23 TRADE AND BILL RECEIVABLES

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Bill receivables – third parties	608,021	672,206	891,389
Bill receivables – related parties *(Note 39(c))*	52,000	5,503	31,634
	660,021	677,709	923,023
Trade receivables – third parties	2,330,226	2,245,651	2,713,538
Trade receivables – related parties *(Note 39(c))*	59,244	72,658	71,969
	2,389,470	2,318,309	2,785,507
	3,049,491	2,996,018	3,708,530
Less: allowance for impairment	(205,531)	(178,595)	(141,102)
Total trade and bill receivables – net	2,843,960	2,817,423	3,567,428

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 3 months	1,579,556	1,509,327	2,274,944
3 to 12 months	482,793	586,227	326,694
1 to 2 years	139,483	74,325	86,780
Over 2 years	187,638	148,430	97,089
	2,389,470	2,318,309	2,785,507

Aging of bill receivables is within 6 months as of December 31, 2016, 2017 and 2018.

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

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	162,886	205,531	178,595
Provision/(reversal of provision) for impairment	50,574	(1,397)	(17,426)
Receivables written off as uncollectible	(8,378)	(25,657)	(20,073)
Currency translation differences	449	118	6
At the end of the year	205,531	178,595	141,102

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

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	1,161,397	1,136,160	1,050,439
USD	901,453	830,671	1,261,084
GBP	237,352	224,673	243,853
EUR	58,350	78,868	165,014
Others	30,918	47,937	65,117
	2,389,470	2,318,309	2,785,507

Bill receivables are all denominated in RMB.

Company

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables-related parties	204,885	124,036	142,949
Trade receivables-third parties	69,592	84,793	107,638
	274,477	208,829	250,587
Bill receivables	5,058	30,499	2,500
	279,535	239,328	253,087
Less: allowance for impairment	(2,229)	(7,186)	(7,439)
Total trade receivables – net	277,306	232,142	245,648

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 3 months	258,800	189,086	225,338
3 to 12 months	10,485	8,515	13,169
1 to 2 years	5,038	6,453	7,571
Over 2 years	154	4,775	4,509
	274,477	208,829	250,587

Aging of bill receivables is within 6 months as of December 31, 2016, 2017 and 2018.

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

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	2,382	2,229	7,186
(Reversal of provision)/provision for impairment	(153)	4,957	253
At the end of the year	2,229	7,186	7,439

(c) Trade and bill receivables are all denominated in RMB.

24 PREPAYMENTS AND OTHER RECEIVABLES

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Prepayment for raw materials to third parties	218,353	328,631	338,939
Prepayment for raw materials to related parties *(Note 39)*	1,682	9,671	5,106
Prepayment for listing expense	–	–	16,939
	220,035	338,302	360,984
Less: provision for impairment	(5,821)	(7,967)	(6,461)
	214,214	330,335	354,523
Amounts due from related parties *(Note 39)*	57,285	49,533	63,886
Refundable tax	10,609	53,058	56,479
Rental and other deposits	70,886	70,872	78,857
Disbursement of vehicle loans *(Note 3.1(b))*	146,635	98,078	55,287
Other receivables from staffs and third parties	113,688	61,930	78,785
Others	72,680	61,495	81,144
	471,783	394,966	414,438
Less: provision for impairment *(Note a)*	(128,614)	(93,147)	(62,130)
	343,169	301,819	352,308
Total prepayments and other receivables	557,383	632,154	706,831

(a) Movements in the provision for impairment of other receivables are as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	100,535	128,614	93,147
Provision/(reversal of provision) for impairment	29,379	(11,896)	(2,133)
Receivables written off during the year as uncollectible	(1,300)	(23,571)	(28,884)
At the end of the year	128,614	93,147	62,130

(b) The carrying amount of the Group's other receivables (exclude refundable tax) are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	380,765	265,749	253,792
USD	48,315	39,228	90,592
Others	32,094	36,931	13,575
	461,174	341,908	357,959

Company

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Amounts due from related parties	413,018	344,672	318,993
Dividend receivable	95,203	1,428	502,009
Prepayment to related parties	–	8,000	8,000
Prepayment to other suppliers	11,627	507	871
Prepayment for listing expenses	–	–	16,939
Others	6,033	4,525	1,318
	525,881	359,132	848,130
Less: provision for impairment	–	–	–
Total prepayments and other receivables – net	525,881	359,132	848,130

The carrying amount of the Company's other receivables are all denominated in RMB.

25 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss represented wealth management products. The fair value is based on discounted cash flow using the expected return based on management judgment and is within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value (realized and unrealized) of this financial asset had been recognized in "other gains/(losses) – net" in the consolidated income statements.

26 CASH AND BANK BALANCES

(a) Cash and cash equivalents

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	1,604,862	2,532,867	2,269,479
Short-term bank deposits with initial terms within three months	175,404	277,946	347,500
	1,780,266	2,810,813	2,616,979

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	750,154	1,556,481	1,663,858
USD	540,173	943,344	702,353
GBP	384,457	150,985	90,423
EUR	36,886	49,005	47,655
Others	68,596	110,998	112,690
	1,780,266	2,810,813	2,616,979

Bank balances carry interest ranging from 0.13% to 2.41% per annum.

Company

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	292,602	474,893	336,728

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	287,171	468,448	336,104
USD	5,431	6,445	624
	292,602	474,893	336,728

Bank balances carry interest ranging from 0.46% to 1.76% per annum.

(b) Restricted cash

The restricted cash mainly represented guarantee deposits place at banks for issuing bill payables, foreign currencies and vehicle loans etc. and were all denominated in RMB.

27 ASSETS HELD FOR SALE

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
– Assets of disposal group classified as held for sale *(a)*			
Property, plant and equipment *(Note 16)*	–	19,871	–
Land use rights *(Note 15)*	–	17,458	–
Cash and cash equivalents	–	106	–
Total assets of disposal group classified as held for sale	–	37,435	–
– Liabilities directly associated with disposal group classified as held for sale (a)			
Other payables	–	(14,906)	–
Total liabilities directly associated with disposal group classified as held for sale	–	(14,906)	–

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
– Assets held for sale (b)			
Property, plant and equipment *(Note 16)*	92,270	86,296	86,296
Land use rights *(Note 15)*	85,177	85,177	85,177
Investment properties *(Note 17)*	26,401	26,401	26,401
Total non-current assets classified as held for sale	203,848	197,874	197,874

(a) A disposal group held for sale

On November 20, 2017, the board of directors of the Group decided to sell all shares of Beijing CIMC Vehicle Logistics Equipment Co., Ltd. at a consideration of RMB50,000,000. Accordingly, all of its assets and liabilities are presented as a disposal group held for sale. The transaction has been completed on January 18, 2018 resulting in a net gain of RMB47,015,000.

(b) Assets held for sale

On November 11, 2016, with the approval of board of directors of the Group, CIMC Jidong (Qinhuangdao) Vehicle Manufacture Co., Ltd. ("CIMC Qinhuangdao") committed to an agreement to sell parts of its property, plant and equipment and land use rights (the "Assets") amounted to RMB30,404,000 and RMB74,954,000 at a consideration of RMB136,000,000, and the agreement is irrevocable. Due to certain delays, the sale had not been completed as of December 31, 2018; however, per communication with the contractual party, the transaction would still be proceeded, and CIMC Qinghuangdao has received RMB16,000,000 as of December 31, 2018. The directors of the Company are of the view that the sale is expected to be completed within one year, since the contract is irrevocable and the delay of the completion of the transaction is caused by events or circumstances beyond the Company's control while, the Company remains committed to its plan to sell the Assets and the relevant assets had continued to be presented as held for sale as of December 31, 2018.

On November 16, 2016, with the approval of board of directors of the group, CIMC Vehicles (Group) Xinjiang Co., Ltd. ("CIMC Xingjiang") committed to an agreement to sell parts of its investment properties, property, plant and equipment and land use rights amounted to RMB26,401,000, RMB55,892,000 and RMB10,223,000 respectively with a consideration of RMB138,950,000, and the agreement is irrevocable. Due to certain delays, the sale has not been completed as of December 31, 2018; however, as CIMC Xinjiang has received RMB118,265,000 as of December 31, 2018, which accounted for over 85% of consideration, the directors of the Company considered the transaction would probably proceed within one year and the relevant assets had been presented as held for sale as of December 31, 2018.

(c) Non-recurring fair value measurements

A disposal group and non-current assets classified as assets held for sale during the reporting period were measured at the lower of its carrying amount and fair value less costs to sell except for investment properties at the time of the reclassification and it did not result in any recognition of a write down during the Track Record Period.

28 Paid-in capital/share capital

	Note	**Number of ordinary shares**	**Paid-in capital/share capital**	**Paid-in capital/share capital**
		in thousand	**USD'000**	**RMB'000**
As of January 1, 2016	*(a)*	N/A	212,225	1,482,147
Capital injection adjustment	*(b)*	N/A	–	514
As of December 31, 2016 and 2017	*(c)*	N/A	212,225	1,482,661
Shares issued upon capitalization of reserves	*(d)*	1,500,000	3,150	17,339
As of December 31, 2018		1,500,000	215,375	1,500,000

(a) As of January 1, 2016, the registered capital and paid-in capital was USD212,225,000 (equivalent to RMB1,482,147,000), which was held by CIMC Group, China International Marine Containers (Hong Kong) Limited ("CIMC HK"), Resource SZITIC Trust Co., Ltd., ("CR Trust"), Shanghai Tai Fu Xiang Zhong Equity Investment Fund Partnership (Limited Partnership) ("Tai Fu Xiang Zhong"), Shenzhen Nan Shan Da Cheng New Material Investment Partnership (Limited Partnership) ("Nanshan Dacheng"), Sumitomo Corporation ("Sumitomo"), and Shenzhen Long Yuan Gang Cheng Investment and Development Co., Ltd. ("Longyuan Investment"), with 44.330%, 18.999%, 15.832%, 16.822%, 1.544%, 0.929% and 1.544% interests, respectively.

(b) RMB514,000 was adjusted to paid-in capital during the year ended December 31, 2016 resulting from the translation difference upon the actual receipt of share capital from the investors.

(c) After two times equity transfers from CR Trust to two new shareholders which took place in 2016 and 2017, as of the date of this report, the Company was held by CIMC Group, CIMC HK, Tai Fu Xiang Zhong, Nanshan Dacheng, Shenzhen Long Yuan Gang Cheng Enterprise Management Center (Limited Partnership), Sumitomo, Taizhou Tai Fu Xiang Yun Equity Investment Partnership (Limited Partnership) and Xiang Shan Hua Jin Equity Investment Partnership (Limited Partnership) at 44.330%, 18.999%, 16.822%, 1.544%, 1.544%, 0.929%, 10.7735% and 5.0585%, respectively.

(d) On October 23, 2018, the Company was converted into a joint stock company with limited liability with a registered capital of RMB1,500,000,000. The Company issued and allotted 1,500,000,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the respective proportion of the then share capital held by them in the Company as of September 21, 2018. RMB612,084,000 of retained earnings was capitalized and increase share capital of RMB17,339,000 and share premium of RMB594,745,000, respectively.

29 Reserves and retained earnings

Group

	Capital premium/ share premium	Other reserves	Currency translation differences	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2016	1,350,821	39,167	437	1,390,425
Capital injection adjustment *(Note 28(b))*	(514)	–	–	(514)
Acquisition of additional equity interests in non-wholly owned subsidiaries *(b)*	–	(1,350)	–	(1,350)
Disposal of a subsidiary without loss of control *(c)*	–	232	–	232
Revaluation gain on the date of transfer from owner-occupied properties to investment properties *(Note 17)*	–	47,382	–	47,382
Net gains from changes in fair value of cash flow hedging instruments	–	4,154	–	4,154
Currency translation differences	–	–	(7,879)	(7,879)
As of December 31, 2016	1,350,307	89,585	(7,442)	1,432,450

	Capital premium/ share premium	Other reserves	Currency translation differences	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2017	1,350,307	89,585	(7,442)	1,432,450
Capital contribution from non-controlling interests *(d)*	–	270	–	270
Net gains from changes in fair value of cash flow hedging instruments	–	3,654	–	3,654
Currency translation differences	–	–	11,952	11,952
As of December 31, 2017	1,350,307	93,509	4,510	1,448,326

	Capital premium/ share premium	Other reserves	Currency translation differences	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2018	1,350,307	93,509	4,510	1,448,326
Capital contribution from non-controlling interests *(e)*	–	(14,357)	–	(14,357)
Acquisition of non-controlling interests in non-wholly owned subsidiaries *(f)*	–	(8,163)	–	(8,163)
Profit appropriations to enterprise expansion fund/statutory surplus reserve *(g)*	–	369,491	–	369,491
Transfer out of revaluation gain on properties *(h)*	–	(52,662)	–	(52,662)
Shares issued upon capitalization of reserves *(Note 28(d))*	909,574	(314,829)	–	594,745
Net gains from changes in fair value of cash flow hedging instruments	–	(1,014)	–	(1,014)
Currency translation differences	–	–	53,950	53,950
As of December 31, 2018	2,259,881	71,975	58,460	2,390,316

(a) This represented the additional capital contribution of RMB16,426,000 from non-controlling interests of Wuhu CIMC Ruijiang Automobile Co., Ltd., CIMC Vehicles (Bahrain) Factory WLL and CIMC Commercial Tires Inc..

(b) This represented the acquisition of additional 18% equity interest from non-controlling interests of a subsidiary, Qingdao CIMC Eco-Equipment Co., Ltd. with a considertion of RMB12,828,000.

(c) This represented the disposal of 4.9% equity interests of a subsidiary, Liangshan CIMC Dongyue Vehicles Co., Ltd. without loss of control with a consideration of RMB9,000,000.

(d) This represented the additional capital contribution of RMB48,336,000 from non-controlling interests of China Jiangsu Vanguard Trailer Rental Co., Ltd. and Luoyang CIMC Lingyu Automobile Co., Ltd..

(e) This represented the additional capital contribution of RMB35,939,000 from non-controlling interests of a subsidiary, CIMC Vehicle (Jiangmen) Co., Ltd..

(f) This represented the acquisition of additional 44.34% equity interest from non-controlling interests of a subsidiary, Qingdao CIMC Special Vehicle Co., Ltd. with a considertion of RMB41,075,000.

(g) In accordance with the board resolution on May 30, 2018, enterprise expansion fund amounted to RMB314,829,000 was appropriated from retained earnings.

As disclosed in note 28(d), the Company was converted into a joint stock company on October 23, 2018. In accordance with the Company Law and the Company's Article of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% the registered capital. The statutory surplus reserve can be used to make up for the loss or to increase the capital after approval from the appropriate authority. The Company appropriated 10% of retained earning after the conversion, amounting to RMB54,662,000.

(h) In 2018, the Group disposed subsidiaries which hold investment properties. The other comprehensive income resulted from revaluation gain on the date of transfer from owner-occupied properties to investment properties was transferred to retained earnings.

Company

– ***Reserves***

	Capital premium/ share premium	Other reserves	Total reserves
	RMB'000	RMB'000	RMB'000
As of January 1, 2016	1,221,390	21,546	1,242,936
Capital injection adjustment	(514)	–	(514)
As of December 31, 2016 and 2017	1,220,876	21,546	1,242,422

	Capital premium/ share premium	Other reserves	Total reserves
	RMB'000	RMB'000	RMB'000
As of January 1, 2018	1,220,876	21,546	1,242,422
Disposal of subsidiaries	–	18,437	18,437
Profit appropriations to enterprise expansion fund/statutory surplus reserves	–	369,491	369,491
Shares issued upon capitalization of reserves	909,574	(314,829)	594,745
As of December 31, 2018	2,130,450	94,645	2,225,095

– *Retained earnings*

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,138,513	1,071,568	725,550
Profit for the year	131,204	776,831	1,031,983
Profit appropriations to enterprise expansion fund/statutory surplus reserves	–	–	(369,491)
Share of profit of associates as a result of partially disposals of subsidiaries	–	–	5,313
Shares issued upon capitalization of reserves	–	–	(612,084)
Dividends	(198,149)	(1,122,849)	(289,313)
At the end of the year	1,071,568	725,550	491,958

30 BORROWINGS

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Included in non-current liabilities:			
Loans from related parties *(Note 39)*	935,000	–	79,561
Bank borrowings, guaranteed *(a)*	213,622	184,363	231,043
	1,148,622	184,363	310,604
Included in current liabilities:			
Bank borrowings	326,124	415,152	694,639
Bank borrowings, guaranteed *(a)*	203,768	118,017	303,473
Loans from related parties *(Note 39)*	343,600	1,612,987	655,204
Loans from related parties, guaranteed *(Note 39)*	46,900	20,000	165,300
Discounted bills	66,620	73,390	162,029
	987,012	2,239,546	1,980,645
Interest payable to related parties	26,324	26,324	–
	1,013,336	2,265,870	1,980,645
	2,161,958	2,450,233	2,291,249

* Except as disclosed in the table, all other borrowings are unsecured and unguaranteed.

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

(b) As of December 31, 2016 and 2017 and 2018, the weighted average accrued interest rate of long-term borrowings was 4.80% and 2.10% and 4.38%, and short-term borrowings was 4.42% and 4.36% and 4.02%, respectively.

As of December 31, 2016, 2017 and 2018, the Group's borrowings were denominated in following currencies:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	1,333,293	1,632,537	1,210,694
USD	503,808	526,027	848,670
GBP	266,883	237,053	182,200
EUR	50,805	54,616	49,685
Others	7,169	–	–
	2,161,958	2,450,233	2,291,249

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
3 months or less	784,039	521,670	1,228,592
6 to 12 months	442,919	1,928,563	1,062,657
1 to 2 years	935,000	–	–
	2,161,958	2,450,233	2,291,249

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 year	1,013,336	2,265,870	1,980,645
1 to 2 years	935,000	–	6,561
2 to 5 years	213,622	184,363	304,043
	2,161,958	2,450,233	2,291,249

31 TRADE AND BILL PAYABLES

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Third parties	2,454,156	2,564,535	2,962,574
Related parties *(Note 39(c))*	124,513	43,059	103,963
	2,578,669	2,607,594	3,066,537

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
0-30 days	1,115,000	1,060,560	1,786,671
31-60 days	574,506	919,006	442,365
61-90 days	535,562	383,657	603,726
Over 90 days	353,601	244,371	233,775
	2,578,669	2,607,594	3,066,537

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

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	1,676,474	1,947,020	2,525,586
GBP	360,370	341,664	365,473
USD	361,620	173,289	104,221
EUR	138,451	66,643	31,611
AUD	23,008	26,202	26,027
Others	18,746	52,776	13,619
	2,578,669	2,607,594	3,066,537

(c) As of December 31, 2016, 2017 and 2018 the fair value of trade and bill payables approximated to their carrying amount.

32 OTHER PAYABLES AND ACCRUALS

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Amounts due to related parties *(Note 39(c))*	358,823	457,979	270,032
Dividends payable *(Note 14)*	47,556	721,360	–
Dividends payable to non-controlling interests	17,355	–	–
Payroll and welfare payables	369,286	478,462	561,896
Deposits and temporary receipts	76,777	98,280	146,828
Deposits for quality guarantees	179,550	129,174	104,030
Freights expenses payable	42,277	110,871	110,156
Payables for equipment and land use rights	8,068	17,831	11,238
Financial guarantee for vehicle loans	39,468	22,277	23,705
Other taxes payables	126,328	86,688	111,590
Accrued expenses	229,015	334,816	353,789
Contingent consideration *(Note 38)*	125,522	–	–
Accrued listing expenses	–	–	12,647
Others	202,623	213,185	170,278
	1,822,648	2,670,923	1,876,189

(a) The carrying amount of the Group's other payables are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	1,343,280	2,339,984	1,714,799
USD	162,948	192,115	121,451
GBP	246,704	93,395	22,866
EUR	23,203	25,330	4,915
Others	46,513	20,099	12,158
	1,822,648	2,670,923	1,876,189

(b) As of December 31, 2016, 2017 and 2018 the fair value of other payables and accruals approximated to their carrying amount.

Company

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Amounts due to related parties	402,484	369,319	229,380
Payroll and welfare payables	68,374	93,430	118,103
Deposits and temporary receipts	–	2,000	9,600
Other taxes payables	7,006	8,397	6,739
Dividends payable	47,556	721,360	–
Accrued expenses	11,174	6,695	22,421
Accrued listing expenses	–	–	12,647
Others	65,353	66,718	37,011
	601,947	1,267,919	435,901

(a) The carrying amount of the Company's other payables and accruals are all denominated in RMB.

(b) As of December 31, 2016, 2017 and 2018 the fair value of other payables and accruals approximated to their carrying amount.

33 PROVISIONS

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Product warranties	92,718	102,380	120,168
Accrued litigation and compensation losses and others	11,470	11,911	12,650
	104,188	114,291	132,818

	Product warranties	Accrued litigation and compensation losses and others	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2016	56,710	13,039	69,749
Currency translation differences	1,018	(5,436)	(4,418)
Provision made	54,153	3,867	58,020
Provision utilized	(19,163)	–	(19,163)
At December 31, 2016	92,718	11,470	104,188
Currency translation differences	687	244	931
Provision made	97,740	1,146	98,886
Provision utilized	(88,765)	(949)	(89,714)
At December 31, 2017	102,380	11,911	114,291
Currency translation differences	947	341	1,288
Provision made	87,628	848	88,476
Provision utilized	(70,787)	(450)	(71,237)
At December 31, 2018	120,168	12,650	132,818

34 DEFERRED INCOME

Group

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Included in non-current liabilities:			
Government grants related to assets *(a)*	70,788	64,348	16,662
Government grants related to income *(b)*	21,972	274,843	5,945
	92,760	339,191	22,607
Included in current liabilities:			
Government grants related to income *(b)*	–	–	398,872
Total	92,760	339,191	421,479

(a) Amounts represent government grants in respect of the Group's construction of vehicle manufacturing facilities, the upgrade of vehicle manufacturing technologies and the purchase of land use rights.

(b) Amounts mainly represent the compensation granted by government in respect of demolition of certain factory.

(c) As of December 31, 2016, 2017 and 2018, deferred income recognized as an income amounted to RMB9,436,000, RMB12,393,000 and RMB2,879,000, which was included in "other income".

35 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to be applied at the time of reversal of the temporary differences.

(a) Deferred tax assets

Group

The analysis of deferred income tax assets is as follows:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Provision for impairment of inventories	19,549	29,035	20,328
Employee benefits	33,420	46,892	48,395
Provisions and financial guarantee for car loan	20,921	18,272	24,759
Unrealized gain on inter-group transactions	15,750	15,912	21,002
Provision for bad debts	36,690	48,366	26,195
Tax losses	18,032	7,157	2,747
Accrued expenses	30,988	24,003	35,153
Others	8,061	13,073	7,329
Total deferred tax assets	183,411	202,710	185,908
Offset of deferred tax liabilities	(17,382)	(26,370)	(21,287)
Deferred tax assets – net	166,029	176,340	164,621

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Provision for impairment of inventories	Employee benefits	Provisions and financial guarantee for car loan	Unrealized gain on inter-group transactions	Provision for bad debts	Tax losses	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	16,928	23,672	27,447	16,002	41,944	9,331	–	9,016	144,340
Credited/(charged) to consolidated income statements	2,621	9,748	(6,526)	(252)	(5,254)	8,701	30,988	(955)	39,071
At December 31, 2016	19,549	33,420	20,921	15,750	36,690	18,032	30,988	8,061	183,411
At January 1, 2017	19,549	33,420	20,921	15,750	36,690	18,032	30,988	8,061	183,411
Credited/(charged) to consolidated income statements	9,486	13,472	(2,649)	162	11,676	(10,875)	(6,985)	5,012	19,299
At December 31, 2017	29,035	46,892	18,272	15,912	48,366	7,157	24,003	13,073	202,710
At January 1, 2018	29,035	46,892	18,272	15,912	48,366	7,157	24,003	13,073	202,710
(Charged)/credited to consolidated income statements	(6,193)	1,503	6,487	5,090	(22,155)	(4,410)	11,150	(1,620)	(10,148)
Disposal of subsidiaries	(2,514)	–	–	–	(16)	–	–	(4,124)	(6,654)
At December 31, 2018	20,328	48,395	24,759	21,002	26,195	2,747	35,153	7,329	185,908

Company

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
The balance comprises temporary differences attributable to:			
Provision for impairment of inventories	8	8	8
Employee benefits	17,093	23,358	29,526
Provision for bad debts	557	1,797	1,860
Accrued expenses	2,794	1,673	5,605
Total deferred tax assets	20,452	26,836	36,999

	Provision for impairment of inventories	Employee benefits	Provision for bad debts	Accrued expenses	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At January 1, 2016	–	12,753	–	–	12,753
Credited to consolidated income statements	8	4,340	557	2,794	7,699
At December 31, 2016	8	17,093	557	2,794	20,452
At January 1, 2017	8	17,093	557	2,794	20,452
Credited/(charged) to consolidated income statements	–	6,265	1,240	(1,121)	6,384
At December 31, 2017	8	23,358	1,797	1,673	26,836
At January 1, 2018	8	23,358	1,797	1,673	26,836
Credited to consolidated income statements	–	6,168	63	3,932	10,163
At December 31, 2018	8	29,526	1,860	5,605	36,999

(b) Deferred tax liabilities

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
The balance comprises temporary differences attributable to:			
Revaluation gains on the date of transfer from owner-occupied properties to investment properties	17,717	17,717	163
Fair value gains on investment properties	77,973	77,340	77,039
Accelerated depreciation of property, plant and equipment	12,507	31,754	41,687
Fair value gains in business combination	48,306	39,829	29,011
Others	5,415	8,864	7,007
Total deferred tax liabilities	161,918	175,504	154,907
Offset of deferred tax assets	(17,382)	(26,370)	(21,287)
Deferred tax liabilities – net	144,536	149,134	133,620

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Revaluation gains on the date of transfer from owner-occupied properties to investment properties	Fair value gains on investment properties	Accelerated depreciation of property, plant and equipment	Fair value gains in business combination	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	1,923	58,220	13,017	–	–	73,160
Business combination *(Note 38)*	–	–	–	48,035	–	48,035
Charged/(credited) to consolidated income statements	–	19,753	(510)	271	5,415	24,929
Charged to other comprehensive loss	15,794	–	–	–	–	15,794
At December 31, 2016	17,717	77,973	12,507	48,306	5,415	161,918
At January 1, 2017	17,717	77,973	12,507	48,306	5,415	161,918
(Credited)/charged to consolidated income statements	–	(633)	19,247	(8,477)	3,449	13,586
At December 31, 2017	17,717	77,340	31,754	39,829	8,864	175,504
At January 1, 2018	17,717	77,340	31,754	39,829	8,864	175,504
Charged/(credited) to consolidated income statements	–	10,897	9,933	(10,818)	(1,857)	8,155
Disposal of subsidiaries	(17,554)	(11,198)	–	–	–	(28,752)
At December 31, 2018	163	77,039	41,687	29,011	7,007	154,907

As of December 31, 2016, 2017 and 2018 the Group did not recognize deferred income tax assets of RMB55,879,000 and RMB52,385,000 and RMB38,047,000, in respect of deductible temporary differences amounting to RMB211,441,000 and RMB256,038,000 and RMB184,184,000, respectively.

As of December 31, 2016, 2017 and 2018 the Group did not recognize deferred income tax assets of RMB117,245,000 and RMB106,187,000 and RMB108,922,000, in respect of deductible cumulative tax losses amounting to RMB443,648,000 and RMB519,004,000 and RMB527,291,000, respectively, that can be carried forward against future taxable income due to uncertainty of their recoverability. Maturity of deductible losses that not recognized as deferred tax assets are as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 year	27,102	71,732	54,855
1 to 2 years	74,007	52,501	68,996
2 to 3 years	55,596	68,996	75,385
3 to 4 years	72,738	75,385	94,820
Above 5 years	214,205	250,390	233,235
Total	**443,648**	**519,004**	**527,291**

36 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of net profit to cash inflow from operating activities:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,023,172	1,271,711	1,552,754
Adjustments for:			
Depreciation of property, plant and equipment *(Note 16)*	219,330	222,558	258,035
Amortization of intangible assets *(Note 18)*	41,687	36,912	31,882
Amortization of land use right *(Note 15)*	15,003	13,247	13,131
Losses on disposals of property, plant and equipment *(Note 8)*	7,309	13,928	2,540
(Gains)/losses on disposals of intangible assets *(Note 8)*	(7,488)	3	–
Net impairment losses/(gains) on financial assets and financial guarantee contracts	40,388	(11,608)	(16,284)
Impairment for intangible assets *(Note 18)*	5,905	798	39,698
Impairment for property, plant and equipment *(Note 16)*	8,289	17,996	10,041
Provision for impairment of inventories *(Note 22)*	40,487	64,663	39,089
Amortization of deferred income *(Note 34)*	(9,436)	(12,393)	(2,879)
Gain on disposal of subsidiaries, associates and a joint venture	(701)	–	(53,395)
Share of net (profits)/losses of associates and a joint venture	(4,248)	2,724	(5,775)
Increase in provisions	34,439	10,103	18,527
Finance costs	51,833	79,872	140,834
Changes in fair value recognized in profit or loss	(79,226)	940	(48,543)
Changes in working capital:			
– Increase in inventories	(519,321)	(331,692)	(469,027)
– Increase in receivables	(628,140)	(12,786)	(764,186)
– Increase in payables	1,157,838	820,846	596,518
– Decrease/(increase) in restricted cash	2,277	(87,473)	31,898
Cash generated from operations	**1,399,397**	**2,100,349**	**1,374,858**

(b) Major non-cash transactions

As agreed with CIMC Group, the Group transferred the dividend payable to CIMC Group amounted to RMB398,970,000 to loan from CIMC Group for the year ended December 31, 2018.

(c) Reconciliation of liabilities generated from financing activities

	Bank borrowings – repayable within 1 year	Bank borrowings – repayable after 1 year	Loans from related parties	Interest payable to related parties	Interest payable for bank borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as of January 1, 2016	759,406	–	1,302,101	26,690	–	2,088,197
Cash flows	(188,421)	239,149	23,399	(56,129)	(39,014)	(21,016)
Accrued interest expenses	–	–	–	55,763	39,014	94,777
Reclassification	25,527	(25,527)	–	–	–	–
Liabilities from financing activities as of December 31, 2016	596,512	213,622	1,325,500	26,324	–	2,161,958

	Bank borrowings – repayable within 1 year	Bank borrowings – repayable after 1 year	Loans from related parties	Interest payable to related parties	Interest payable for bank borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows	(23,820)	15,195	307,487	(74,517)	(42,700)	181,645
Accrued interest expenses	–	–	–	74,517	42,700	117,217
Reclassification	52,675	(52,675)	–	–	–	–
Currency translation differences	(18,808)	8,221	–	–	–	(10,587)
Liabilities from financing activities as of December 31, 2017	606,559	184,363	1,632,987	26,324	–	2,450,233
Liabilities from financing activities as of January 1, 2018	606,559	184,363	1,632,987	26,324	–	2,450,233
Cash flows	469,508	100,743	(889,892)	(112,361)	(76,826)	(508,828)
Accrued interest expenses	–	–	–	86,037	76,826	162,863
Reclassification	59,031	(59,031)	–	–	–	–
Disposal of subsidiaries	–	–	(242,000)	–	–	(242,000)
Non-cash transaction (b)	–	–	398,970	–	–	398,970
Currency translation differences	25,043	4,968	–	–	–	30,011
Liabilities from financing activities at December 31, 2018	1,160,141	231,043	900,065	–	–	2,291,249

37 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Construction/purchase of buildings and purchase of land use rights	50,257	70,552	72,704

(b) Operating lease commitments – the Group as lessee

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
No later than 1 year	736	2,150	7,981
Later than 1 year and no later than 5 years	2,419	4,697	10,812
Later than 5 years	1,579	2,585	2,568
	4,734	9,432	21,361

38 BUSINESS COMBINATION

(a) Business combination under common control

In 2015, a subsidiary of the Group – CIMC Vehicle Investment acquired 100% of the equity interests in CIMC USA, Inc. and its subsidiaries, CIMC Holdings Australia Pty Ltd. and its subsidiaries from CIMC Group; a subsidiary of the Group – CIMC Vehicle Europe Coöperatief U.A. acquired 100% of the equity interests in Burg Carrosserie B.V. and Exploitatiemaatschappij Intraprogres B.V., and their subsidiaries from a subsidiary of CIMC Group; a subsidiary of the Group – Manson Technology Limited acquired 70% of the equity interests in CIMC Rolling Stock Australia Pty Ltd. from a subsidiary of CIMC Group. Total consideration for these transactions were RMB591,043,000. RMB334,509,000, RMB53,598,000 and RMB202,936,000 of the consideration has been paid in 2015, 2016 and 2018, respectively.

(b) Business combination not under common control

(i) CIMC Vehicles UK

On May 30, 2016, the Group's subsidiary CIMC Vehicles UK entered into a shares purchase agreement with the former shareholders of Retlan (Its major operation was from SDC Trailers Ltd.). Under the terms of this agreement, CIMC Vehicles UK would acquire 100% of Retlan's shares at a consideration of GBP80,700,000 in cash (equivalent to RMB712,323,000). This transaction was completed on June 30, 2016.

In addition, there was also a provision that additional cash consideration would be payable in the event that the operations of Retlan achieved certain performance criteria in 2016. At the time of the purchase transaction, the fair value of the consideration was determined to be GBP14,751,000 (equivalent to RMB130,204,000 as of June 30, 2016) and it had been recognized as a contingent consideration payable as of December 31, 2016. The contingent consideration was settled in 2017 with slight adjustment made thereon.

The effects of the acquisition are disclosed below.

	June 30, 2016
	At fair value
	RMB'000
Cash paid	712,323
Contingent consideration*	130,204
Total purchase consideration	842,527

The movement of contingent consideration is below:

	Contingent consideration
	RMB'000
As of January 1, 2016	–
Business combinations	130,204
Currency translation differences	(4,682)
As of December 31, 2016	125,522
Currency translation differences	(2,326)
Settlement	(123,196)
As of December 31, 2017	–

(1) Identifiable assets acquired and liabilities assumed:

	September 30, 2016
	At fair value
	RMB'000
Cash and cash equivalents	104,573
Inventories	131,925
Trade and bill receivables	347,875
Prepayments and other receivables	57,268
Property, plant and equipment	236,040
Intangible assets	210,575
Investments	1,593
	1,089,849
Trade and bill payables	(429,980)
Other payables and accruals	(113,858)
Deferred tax liabilities	(48,035)
	(591,873)
Total identifiable net assets	497,975
Goodwill	344,552
Total purchase consideration	842,527

The goodwill is attributable to the increasing in products portfolio and extension of the market in Europe through Retlan. It will not be deductible for tax purposes according to the respective tax rules enacted in United Kingdom.

The acquisition-related costs were immaterial and had been charged to administrative expenses in the consolidated income statements for the year ended December 31, 2016.

(2) Effect on cash flows of the Group:

	2016
	RMB'000
Cash consideration (as above)	712,323
Less: Cash and cash equivalents in subsidiary acquired	(104,573)
Less: Unpaid	(32,742)
Net cash outflow on acquisition	575,008

(3) Revenue and profit contribution

Retlan contributed revenue of RMB833,317,000 and net loss of RMB8,299,000 to the Group for the period from July 1, 2016 to December 31, 2016. Had this subsidiary been consolidated from January 1, 2016, the revenue and net profit of the Group in 2016 would be increased by RMB734,812,000 and RMB38,750,000, respectively.

(ii) Jiangsu Baojing

On August 27, 2018 and December 22, 2018, the Company entered into equity transfer agreements with Mr. Kong Xianming, pursuant to which the Company agreed to acquire 6.1% and 3.9% of the equity interests of Jiangsu Baojing at a consideration of RMB3,050,000 and RMB1,950,000, respectively. On October 12, 2018, the Company entered into an equity transfer agreement with Baosteel Metal Co., Ltd., pursuant to which the Company agreed to acquire the remaining 42% of the equity interests of Jiangsu Baojing at a consideration of RMB21,000,000. These transactions have been completed on December 29, 2018. After that, Jiangsu Baojing became a wholly owned subsidiary of the Company.

(1) Identifiable assets acquired and liabilities assumed:

	December 29, 2018
	At fair value
	RMB'000
Cash and cash equivalents	12,439
Inventories	14,830
Trade and bill receivables	10,073
Prepayments and other receivables	763
Other current assets	7,173
Property, plant and equipment	55,051
Intangible assets	185
	100,514
Trade and bill payables	(26,171)
Contract liabilities	(124)
Other payables and accruals	(33,358)
	(59,653)
Total identifiable net assets	40,861
Fair value of the previous interest held by the Group on Jiangsu Baojing	(19,613)
Goodwill	4,752
Total purchase consideration	26,000

(2) Effect on cash flows of the Group:

	2018
	RMB'000
Cash consideration (as above)	26,000
Less: Cash and cash equivalents in subsidiary acquired	(12,439)
Less: Unpaid	(1,950)
Net cash outflow on acquisition	11,611

(3) Revenue and profit contribution

Had this subsidiary been consolidated from January 1, 2018, the revenue in 2018 would be increased by RMB26,952,000 and net profit would be decreased by RMB3,965,000.

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the Track Record Period.

Names of the entities	Nature of relationship
CIMC Group	Ultimate holding company
CIMC HK	Fellow subsidiary
CIMC Burg B.V. and its subsidiaries.	Fellow subsidiary
CIMC Transportation Equipment (International) Holdings Limited	Fellow subsidiary
Silveroad Investment Ltd.	Fellow subsidiary
CIMC Silvergreen GmbH	Fellow subsidiary
Asia Cargo Link Ltd..	Fellow subsidiary
CIMC Enric Holdings Limited and its subsidiaries.	Fellow subsidiary
CIMC Finance Company	Fellow subsidiary
Yangzhou Runyang Logistics Equipment Co., Ltd..	Fellow subsidiary
Xinhui CIMC Container Co., Ltd.	Fellow subsidiary
Shenzhen CIMC-Tianda Airport Support Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacture Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Logistics Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Containers Service Co., Ltd.	Fellow subsidiary
Jingmen Hongtu Special Aircraft Co., Ltd.	Fellow subsidiary
C&C Trucks Co., Ltd. Sales Company	Fellow subsidiary
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	Fellow subsidiary
Qingdao Kooll Logistics Co., Ltd.	Fellow subsidiary
CIMC Capital Ltd.	Fellow subsidiary
Tianjin CIMC Logistics Equipment Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Investment Holding Co., Ltd.	Fellow subsidiary
Ningbo MRO Trading Co., Ltd..	Fellow subsidiary
C&C Trucks Co., Limited	Fellow subsidiary
Tianjin CIMC Container Co., Ltd.	Fellow subsidiary
Taicang CIMC Reefer Logistics Equipment Co., Ltd.	Fellow subsidiary
Qingdao CIMC Special Reefer Co., Ltd.	Fellow subsidiary
Shanghai CIMC Baowell Industries Co., Ltd..	Fellow subsidiary
Guangdong Xinhui CIMC Special Transportation Equipment Co., Ltd.	Fellow subsidiary
Fentalic Limited	Fellow subsidiary
CIMC Modern Logistic Development Co., Ltd..	Fellow subsidiary
CIMC Lide Drive Systems (Yangzhou) Co., Ltd..	Fellow subsidiary
CIMC Intermodal Development Co., Ltd.	Fellow subsidiary
RuiJi Logistics (Wuhu) Co., Ltd..	Fellow subsidiary
Qingdao Lida New Rubber & Plastic Products Co., Ltd.	Fellow subsidiary
Qingdao Lida Chemical Co., Ltd.	Fellow subsidiary
Civil Aviation Xie Fa Equipment Co., Ltd.	Fellow subsidiary
Tianjin Port CIMC Zhenhua Logistics Co., Ltd.	Fellow subsidiary
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	Fellow subsidiary
Anhui United Feicai Vehicle Co., Ltd..	Fellow subsidiary
Jiaxing CIMC Wood Co., Ltd.	Fellow subsidiary
Qingdao CIMC Container Manufacture Co., Ltd..	Fellow subsidiary
Yangzhou Tonglee Reefer Container Co., Ltd.	Fellow subsidiary
Dalian CIMC Logistics Equipment Co., Ltd...	Fellow subsidiary
Qianhai Ruiji Technology Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Parking Co., LTD.	Fellow subsidiary
Yangzhou Taili Special Equipment Co., Ltd.	Fellow subsidiary
Taicang CIMC Special Logistics Equipment Co., Ltd..	Fellow subsidiary
Shenzhen CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Tianjin Kangde Logistics Equipment Co., Ltd.	Fellow subsidiary
Chaoku (Shanghai) Refrigeration Equipment Co., Ltd.	Fellow subsidiary
Nantong CIMC Eco New Material Development Co., Ltd.	Fellow subsidiary
Foshan CIMC Logistics Equipment Co., Ltd.	Fellow subsidiary
CIMC Management and Training (Shenzhen) Co., Ltd.	Fellow subsidiary

Names of the entities	Nature of relationship
Chengdu CIMC Transportation Equipment Manufacture Co., Ltd.	Fellow subsidiary
Shenyang CIMC Industrial Park Investment and Development Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Vehicle Park Investment Co., Ltd.	Fellow subsidiary
Shaanxi CIMC Vehicle Industrial Park Investment and Development Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Vehicle Park Investment and Management Co., Ltd.	Fellow subsidiary
Shaanxi CIMC Vehicle Industrial Park Property Management Co., Ltd.	Fellow subsidiary
Xxentria Technology Materials (China) Co., Ltd..	Associate of the Group
Chengdu CIMC Industrial Park Management Co., Ltd.	Associate of the Group
Shenzhen Shuxiang Technology Co., LTD.	Associate of the Group
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	Associate of the Group
Zhenjiang Shen Xing Tai Bao Technology Co., Ltd.	Associate of the Group
Shanghai Xiangtong Automotive Components Company Ltd.	Associate of the Group
Shenzhen Xinghuo Chelian Technology Co., Ltd.	Associate of the Group
Shenzhen CADRO Hydraulic Equipment Co., Ltd..	Associate of the Group
Shanghai Xinbaiqin Special Vehicle Co., Ltd.	Associate of the Group
Jiangsu Baojing Auto Parts Co., Ltd.	Associate of the Group
Shanghai Shenyi Special Vehicle Parts Co., Ltd.	Joint Venture

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in this Historical Financial Information, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
(i) Purchase of goods from			
Fellow subsidiaries	283,223	324,270	512,522
Associates of the Group	76,524	77,146	142,050
A joint venture	6,250	4,159	–
	365,997	405,575	654,572
(ii) Sales of goods to			
Fellow subsidiaries	145,143	193,867	234,146
	145,143	193,867	234,146
(iii) Interest income from			
Associates of the Group	–	109	880
Fellow subsidiaries	6,102	13,489	11,740
Ultimate holding company	36,842	23,747	9,409
	42,944	37,345	22,029
(iv) Interest expenses to			
Fellow subsidiaries	9,069	8,931	25,795
Ultimate holding company	46,694	65,586	60,242
	55,763	74,517	86,037

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
(v) Provision of services to			
Associates of the Group	2,926	5,828	2,197
Fellow subsidiaries	9,040	10,956	17,070
Ultimate holding company	–	–	38
	11,966	16,784	19,305
(vi) Purchases of services from			
Fellow subsidiaries	64,338	34,395	134,226
(vii) Acquisition of equity interests			
Fellow subsidiaries	32,370	17,350	–
Ultimate holding company	8,944	–	41,075
	41,314	17,350	41,075
(viii) Disposal of equity interests			
A fellow subsidiary	–	–	213,990

CIMC Group had provided properties management services, leased properties and licensed some trademarks to the Group free of charge for the years ended December 31, 2016, 2017 and 2018.

(c) Balances with related parties

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
(i) Cash			
A fellow subsidiary	969,641	1,690,420	1,782,660
(ii) Trade and bill receivables			
Associates of the Group	781	972	1,792
Fellow subsidiaries	110,463	77,189	101,811
	111,244	78,161	103,603
(iii) Prepayments to			
Associates of the Group	–	8,000	–
Fellow subsidiaries	1,682	1,671	5,106
	1,682	9,671	5,106
(iv) Other receivables from			
Associates of the Group	–	109	70
Ultimate holding company	19,440	34,022	36,846
Fellow subsidiaries	37,845	15,402	26,970
	57,285	49,533	63,886

Other receivables from related parties were unsecured, interest-free and repayable on demand. They are non-trade nature.

(v) Loans to related parties

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loans to ultimate holding company			
Beginning of the year	295,000	678,000	225,000
Loans provided	790,000	150,000	–
Repayment	(407,000)	(603,000)	(150,000)
End of year	678,000	225,000	75,000

The loans to the ultimate holding company matured in one year. The interest rates on the loans during the years ended December 31, 2016, 2017 and 2018 were ranging from 4.15% to 5.44% per annum.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loans to fellow subsidiaries			
Beginning of the year	16,272	41,170	15,225
Loans provided	24,898	–	–
Repayment	–	(25,945)	–
Subsidiaries were changed to fellow subsidiaries	–	–	45,565
End of year	41,170	15,225	60,790

The loans to fellow subsidiaries matured in one year. The interest rates on the loans during the years ended December 31, 2016, 2017 and 2018 were ranging from 0% to 5.44% per annum.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loans to associates of the Group			
Beginning of the year	–	–	12,300
Loans provided	–	12,300	22,500
Repayment	–	–	(12,300)
Increase as partially disposal of a subsidiary	–	–	39,056
Decrease as step up acquisition of a subsidiary	–	–	(22,500)
End of year	–	12,300	39,056

The loans to an associate of the Group have maturity in one year. The interest rates on the loans during the years ended December 31, 2016, 2017 and 2018 were ranging from 4.15% to 4.35% per annum.

Above loans to related parties have been received in full as of the date of this report.

(vi) Loans from related parties

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loans from ultimate holding company			
Beginning of the year	1,163,781	1,139,580	1,152,080
Loans advanced	14,000	61,000	284,220
Transfer from dividend payable	–	–	398,970
Disposal of subsidiaries	–	–	(242,000)
Loan repayments made	(38,201)	(48,500)	(1,224,340)
End of year	1,139,580	1,152,080	368,930

The loans from the ultimate holding company have maturity in one year. The interest rates on the loans during the years ended December 31, 2016, 2017 and 2018 were ranged from 3.95% to 5.19% per annum.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loans from fellow subsidiaries			
Beginning of the year	138,320	185,920	480,907
Loans advanced	241,970	664,010	763,487
Loan repayments made	(194,370)	(369,023)	(713,259)
End of year	185,920	480,907	531,135

The loans from related parties have maturity from 1 month to 24 months. The interest rates on the loans during the years ended December 31, 2016, 2017 and 2018 were ranged from 1.8% to 5.75% per annum.

Above loans from related parties have been repaid as of the date of this report except for RMB85,000,000 which will be repaid upon or before the proposed listing of the Group.

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
(vii) Trade and bill payables to			
A joint venture	1,028	638	–
Associates of the Group	–	681	1,393
Fellow subsidiaries	123,485	41,740	102,570
	124,513	43,059	103,963
(viii) Other payables			
Fellow subsidiaries	138,858	220,836	204,149
Associates of the group	–	–	214
Ultimate holding company	219,965	237,143	65,669
	358,823	457,979	270,032
(ix) Contract liabilities			
Fellow subsidiaries	773	2,470	279

Other payables to related parties are unsecured, interest-free, and repayable on demand. They are non-trade nature.

(d) Key Management compensation

The compensation paid or payable to the management personnel (including directors, CEO, supervisor and other senior executives) for employee services are show below:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	7,194	10,590	11,262
Pension costs and other employee benefits	271	355	270
Others	299	478	205
	7,764	11,423	11,737

(e) Financial guarantee for vehicle loans provided to

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Fellow subsidiaries	39,666	208,165	389,773

40 GUARANTEE

(1) Financial guarantees

The Company entered into financial guarantee contracts regarding to vehicle loans mainly with China Merchants Bank, China Everbright Bank, China Construction Bank, Bank of Communications, Bank of China and CIMC Finance Company to provide guarantees in respect of banking facilities granted to dealers and customers of the Group who had drawn down loans under banking facilities granted to settle outstanding payables arising from purchasing of vehicles from the Group. As of December 31, 2016, 2017 and 2018, the outstanding balance of the above guarantees provided by the Group to dealers and customers totaled RMB1,040,683,000, RMB1,006,272,000 and RMB1,253,510,000, respectively. And RMB78,684,000, RMB68,749,000 and RMB89,266,000 bank deposit were pledged for these guarantee, respectively.

(2) Outstanding performance bond and letter of credit

As of December 31, 2016, 2017 and 2018 the Group had outstanding performance bond and letter of credit totally RMB818,000, RMB7,830,000 and RMB2,353,000, respectively.

41 EVENTS AFTER THE REPORTING PERIOD

In November 2018, CIMC Vehicle Investment, a subsidiary of the Company, entered into an equity transfer agreement with CIMC HK, pursuant to which CIMC Vehicle Investment agreed to acquire 34.01% equity interest of Qingdao Reefer, an existing subsidiary of the Company, at a cash consideration of approximately RMB88,826,000. As of January 31, 2019, the acquisition has been completed. Qingdao Reefer became a wholly owned subsidiary of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2018, except that the Company declared a special dividend of RMB400,000,000 to the existing shareholders before listing, which has been approved by the shareholders of the Company on March 31, 2019.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible asset of the Group had the Global Offering been completed as of December 31, 2018 or on any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 *(Note 1)*	Estimated net proceeds from the Global Offering *(Note 2)*	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share *(Note 3)*	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$6.38 per H Share	6,940,240	1,401,776	8,342,016	4.73	5.37
Based on an Offer Price of HK$8.08 per H Share	6,940,240	1,788,476	8,728,716	4.95	5.62

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at December 31, 2018 of RMB7,487,680,000 with an adjustment for the intangible assets as at December 31, 2018 of RMB547,440,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$6.38 and HK$8.08 per H Share, respectively, after deduction of the underwriting fees and other related expenses paid/payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company under the general mandates.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,765,000,000 Shares were in issue assuming that the Global Offering has been completed on December 31, 2018 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2018. In particular, the unaudited pro forma adjusted net tangible assets of the Group have been prepared without considering the cash dividend of RMB400,000,000 approved by the shareholders of the Company on March 31, 2019. The unaudited pro forma adjusted net tangible assets per Share would be HK$5.11 and HK$5.36 based on the Offer Price of HK$6.38 and HK$8.08 per H Share, respectively, should the above-mentioned cash dividend have been declared on December 31, 2018.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.88046.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CIMC Vehicles (Group) Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CIMC Vehicles (Group) Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated June 27, 2019, in connection with the proposed initial public offering of the H shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2018 as if the proposed initial public offering had taken place at December 31, 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended December 31, 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, June 27, 2019

The following is the text of a letter and valuation report prepared for the purpose of incorporation of this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of certain property interest of the Group as at April 30, 2019.

CUSHMAN & WAKEFIELD
戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

June 27, 2019

The Directors
CIMC Vehicles (Group) Co., Ltd.
No. 2 Gangwan Avenue
Shekou, Nanshan District
Shenzhen
Guangdong Province
the PRC

Dear Sirs,

Re: Property Valuation

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of CIMC Vehicles (Group) Co., Ltd. (the "Company") for Cushman & Wakefield Limited to value certain property interest held by the Company and/or its subsidiaries (collectively the "Group") situated in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation report), we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property as at April 30, 2019 (the valuation date).

VALUATION BASIS

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

Our valuation of the property is on an entirety interest basis.

VALUATION ASSUMPTION

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have assumed that transferable land use rights in respect of the property for its specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company regarding the title to the property and the interests in the property.

In valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted. We have assumed that all consents, approvals and licenses from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

The property has been granted with Certificate of Real Estate Ownership for its land use rights only and none of the buildings on the site have been granted with any title certificates. We have therefore assigned value to the land portion of the property but not the building portions. For the valuation of the land portion, we have used Market Comparison Method by making reference to comparable sales transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, size, time and other relevant factors. This method is in line with the market practice for valuing industrial land.

Notwithstanding the lack of title ownership in the building portions, the property has been let to various tenants generating rental income. For the Group's reference, we have separately valued the property on the assumption that the property had been granted with complete title certificates, all land premium and resettlement compensation and other costs had been fully settled using Investment Method. This method is conducted by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary rental income potential of the property, which is a commonly used method for rental income generating properties. We have mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors. The capitalization rates adopted in our valuation are based on our analyzes of the yields of properties of similar use type after due adjustments. The capitalization rates adopted are reasonable and in line with the market norm having regard to the analyzed yields of transactions of the relevant use type.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Company in respect of the property in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of units, particulars of occupancy, site and floor areas, numbers of car parking spaces, interest attributable to the Company and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided by the Company with copies or extracts of documents in relation to the titles to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company and its legal adviser, Shu Jin Law Firm, regarding the Company's interests in the PRC property.

SITE INSPECTION

We have inspected the exterior and, whenever possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuation are in Renminbi, the official currency of the PRC.

CONFIRMATION OF INDEPENDENCE

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

INTENDED USE AND USER OF REPORT

This valuation report is issued for the use of the Company for its listing purpose only.

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Andrew K.F. Chan
MSc, MRICS, FHKIS, MCIREA, RPS(GP)
Managing Director
Valuation & Advisory Services, Greater China

Note : Mr. Andrew K.F. Chan is a Member of the Royal Institution of Chartered Surveyors, a Fellow Member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) and a registered Chinese Real Estate Appraiser. Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property held by the Group for investment purpose in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at April 30, 2019
Plot 78/1, Jiefang No. 3, Baoshan Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區寶山鎮3街坊78/1丘	The property is developed on a parcel of land with a site area of 171,264.30 sq m. The property is located in the sub-urban area of Shanghai which is about 50 km from Shanghai Pudong International Airport, and 20 km from Shanghai Railway Station. Developments nearby are mainly industrial in nature. The property is served by Metro Line No. 3 and bus routes Nos. 345, 25 etc. Standing on the site are various buildings, some were constructed by the Group and some were constructed by the tenants. The portions of buildings constructed by the Group have a total gross floor area of 18,563 sq m completed in between 2005 and 2008. Details of the buildings constructed by the tenants are not available. The land use rights of the property have been granted for a term of 50 years from October 13, 2005 to October 12, 2055 for warehouse use.	As at the valuation date, portions of the buildings with a total gross floor area of 14,809 sq m and portions of the land with a total site area of 110,860.54 sq m were subject to various tenancies for terms of 1 year to 20 years with the latest expiry in July 2030 at an aggregate monthly rent of approximately RMB1,280,000.	RMB281,000,000 (Renminbi Two Hundred and Eighty One Million) (100% interest attributable to the Company: RMB281,000,000) (See Note (2))

Notes:

(1) The constituent gross floor area is summarized as follows:

Portion	Gross Floor Area (sq m)	Planning Permit for Construction Use of Land
Office Building	3,012	Yes
Workshop	2,992	Yes
Synthetic Building	4,094	Yes
Telecommunications Room	157	Yes
Distribution Room 1	74	Yes
Distribution Room 2	54	Yes
Pump Room	74	Yes
Anjian Workshop	981	Yes
Motor Testing Workshop	76	Yes
Baojian Testing Workshop	981	Yes
Testing Office	964	Yes
Building No. 26	480	No
Building No. 2	624	No
Plaza A	896	No
Plaza B	1,248	No
Plaza C	768	No
Plaza D	1,088	No
Total	18,563	

(2) All buildings on the site have not yet been granted with any building ownership certificates. As such, no commercial value has been assigned to any buildings and the value RMB281,000,000 reflects the market value of the land portion only.

For the Group's reference only, we have separately valued the property on the assumption that the property had been granted with complete title certificates for all land and building portions, all land premium and resettlement compensation and other costs necessary to make way for the development of the subject property had been fully settled. The market value of the property as at the valuation date on such hypothetical basis would be RMB367,670,000 (Renminbi Three Hundred Sixty Seven Million Six Hundred and Seventy Thousand).

(3) According to Shanghai Certificate of Real Estate Ownership (2008)007665 dated March 10, 2008, the land use rights of a site of an area of 171,264.30 sq m have been vested in 上海中集車輛物流裝備有限公司 (Shanghai CIMC Vehicle Logistics Equipment Co., Ltd.).

(4) According to Grant Contract of State-owned Land Use Rights (2015)125 dated October 13, 2005, the land use rights of a site of an area of 171,264.30 sq m have been contracted to be granted to 上海中集車輛物流裝備有限公司 (Shanghai CIMC Vehicle Logistics Equipment Co., Ltd.) for a 50-year term from October 13, 2005 to October 12, 2055 for warehouse use. The details are summarized as follows:

Land Use	:	Warehouse
Site Area	:	171,264.30 sq m
Land Use Term	:	50 years
Plot Ratio	:	Less than 1
Land Premium	:	RMB24,559,290

(5) According to Planning Permit for Construction Use of Land No. (2005)13050126E0026 issued by the Planning Management Bureau of Baoshan District, the construction land with a permitted site area of 190,310.6 sq m is in compliance with the urban planning requirements.

(6) Details of 6 Planning Permits for Construction Project issued by the Planning Management Bureau of Baoshan District are as follows:

Permit No.	Issue Date	Gross Floor Area
		(sq m)
(2007)13071121F03224	November 21, 2007	34,648
(2008)13080124F00209	January 23, 2008	22,851
(2008)13080807F01910	August 6, 2008	8,276
(2008)13081211F03106	December 11, 2008	1,544
(2010)FA31011320101199	June 29, 2010	3,195
(2008)13081016F02530	October 15, 2008	2,146
Total		**72,660**

As advised by the Group, the above permits have covered buildings constructed by the Group as well as those constructed by the tenants.

(7) According to Construction Permit for Construction Project No. 310113200501282501 issued by the Construction and Transportation Bureau of Administration Committee of Baoshan District, the construction works of portions of the property with a permitted gross floor area of 64,800 sq m are in compliance with the construction works requirements and have been approved. As advised by the Group, the above permit has covered portions of buildings constructed by the Group as well as portions of buildings constructed by the tenants.

(8) According to Business Licence No. 13000002201810090001 dated October 9, 2018, 上海中集車輛物流裝備有限公司 (Shanghai CIMC Vehicle Logistics Equipment Co., Ltd.) was established as a limited liability company with a registered capital of RMB90,204,082 for a valid operation period from January 21, 2005 to January 20, 2055.

(9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) The Shanghai Certificate of Real Estate Ownership of the property is valid, legal and enforceable under the PRC laws;

(b) All land premium stated in the Grant Contract of State-owned Land Use Rights have been paid and fully settled; and

(c) 上海中集車輛物流裝備有限公司 (Shanghai CIMC Vehicle Logistics Equipment Co., Ltd.) is the sole legal land user of the property and have partly obtained the relevant certificates and approval from the government in respect of the construction of the property.

(10) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Project	Yes (part)
Construction Permit for Construction Project	Yes (part)
Certificate of Real Estate Ownership	Yes (land only)
Completion and Acceptance Certificate for Construction Works	No
Business Licence	Yes

(11) Joyce Tao, Bachelor of Investment, 8 years of relevant experience, Senior Manager, inspected the property on November 7, 2018.

(12) In valuing the property, we have assumed a unit rate of RMB1,642 per sq m for the industrial land portion of the property.

In undertaking our valuation, we have made reference to sales prices of industrial land in the neighboring districts which have characteristics comparable to the land portion of the property. The prices of industrial land range from about RMB1,300 per sq m to RMB1,800 per sq m.

The unit rate assumed by us is consistent with the relevant comparables after due adjustments including location, accessibility, size and shape.

OVERVIEW

The following is a summary of certain PRC tax consequences on investors relating to the ownership of H shares by an investor who purchases such H Shares in the Global Offering and holds our H shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section in this prospectus does not address any aspect of the PRC or taxation other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC and other tax consequences of investing in H Shares.

TAXATION IN THE PRC

Taxation on Dividends

Individual investors

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the "IIT Law"), as amended, and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty. Meanwhile, according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty. Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the distributing non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the amount which is over-withheld will be refunded. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the applicable rate under the treaties, and no application to the tax authorities is required. For individual holders of H Shares receiving dividends who are identified as tax residents of countries without taxation treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprises investors

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "EIT Law") which was promulgated by the National People's Congress of the PRC on March 16, 2007 and latest amended by the SCNPC on December 29, 2018, and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on December 6, 2007 and most recently amended on April 23, 2019, a PRC resident enterprise is generally subject to a 25% EIT on all incomes. According to the EIT Law and its implementing rules, dividends paid to its investor which is an eligible PRC resident enterprise can be exempted from the EIT and dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han[2008] No. 897) issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) (the "Arrangement") signed on August 21, 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company.

The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (Guo Shui Han [2009] No. 81).

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (個人轉讓股票所得繼續暫免徵收個人所得稅) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, effective from January 1, 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. After the latest amendment to the IIT Law on August 31, 2018 and its implementing rules amended on December 18, 2018 and implemented on January 1, 2019, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on 10 November 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that IIT shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprises Investors

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

PRC stamp duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例實施細則), effective on October 1, 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

PRC Legacy duty

The PRC currently does not impose any legacy duty.

Shanghai-Hong Kong Stock Connect Taxation Policy

On October 31, 2014, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81) (hereinafter as "SH-HK Stock Connect Taxation Policy") which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connection. The SH-HK Stock Connect Taxation Policy has come into effect on November 17, 2014.

Pursuant to the SH-HK Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Pursuant to the Notice on Continuing the Application of Relevant Individual Income Tax Policies regarding the Inter-connected Mechanism of Trading on the Shanghai Stock Market and the Hong Kong Stock Market (關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知) (Cai Shui [2017] No. 78), which was issued by MOF, SAT and CSRC on November 1, 2017, the aforesaid individual income tax shall continue to be temporarily exempted from November 17, 2017 to December 4, 2019. Business tax will be temporarily exempted in accordance with the current policy for the spread income derived from dealing in stocks listed on Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by H-share companies at the tax rate of 20%. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by China Securities Depository and Clearing Co., Ltd ("CSDC") at the tax rate of 20%. Individual investors may, by producing the tax payments document, apply for tax credit relating to the withholding tax already paid abroad to the competent tax authority of CSDC.

Pursuant to the SH-HK Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who trade or inherit shares listed on the Hong Kong Stock Exchange, or give such shares as gifts, through Shanghai-Hong Kong Stock Connection shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

Major Taxes on the Company in the PRC

Please see the **Regulatory Environment Section**.

ADMINISTRATION OF FOREIGN EXCHANGE IN THE PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls and is not freely exchangeable. The SAFE, under the authorization of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China for the Administration of Foreign Exchange (中華人民共和國外匯管理條例) (the "Foreign Exchange Administrative Regulations") which became effective from April 1, 1996. The Foreign Exchange Administrative Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The latest amended (on August 5, 2008) Foreign Exchange Administrative Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

State Council Circular 50

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (國務院關於取消和調整一批行政審批項目等事項的決定) (Guo Fa [2014] No.50, the "Circular 50"), which canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

SAFE Circular 54

According to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) (Hui Fa [2014]No. 54, the "Circular 54") issued by SAFE on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in this prospectus and other disclosure documents.

SAFE Circular 13

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) ("SAFE Circular 13"), which came into effect on June 1, 2015. The SAFE Circular 13 cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. Furthermore, according to the SAFE Circular 13, new overseas enterprises established or controlled by overseas enterprises established or controlled by domestic investors through re-investment are not required to go through the foreign exchange filing procedures.

SAFE Circular 16

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知) (Hui Fa [2016] No. 16, the "Circular 16") promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion in based on international balance of payments.

SAFE Circular 3

On January 26, 2017, Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) (Hui Fa [2017] No. 3, the "Circular 3") was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

OVERVIEW

Set out below is a summary of the principal provisions of the Articles of Association which were adopted at a general meeting of our Company held on October 26, 2018 and amended through general meetings held on April 20, 2019 and June 18, 2019. A copy of the full Chinese texts of the Articles of Association is available for inspection as mentioned in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in appendix VIII to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Limited Power to dispose of the assets of our Company or any subsidiary

The Board shall be responsible for the general meeting.

The Board shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of our Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of the fixed assets that has been completed in the period of 4 months immediately preceding the proposed disposition, exceeds 33% of the value of our Company's fixed assets as shown in the last balance sheet placed before our Shareholders in general meeting.

The validity of a disposition by our Company of fixed assets shall not be impaired by the breach of the above paragraph.

Remuneration and compensation and payments for loss of office

Our Company shall, with the prior approval of our Shareholders in general meeting, enter into a contract in writing with a Director or Supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

(a) emoluments in respect of his service as Director, Supervisor or senior management of our Company;

(b) emoluments in respect of his service as director, supervisor or senior management of any subsidiary of our Company;

(c) emoluments in respect of the provision of other services in connection with the management of the affairs of our Company and any of its subsidiaries;

(d) payment by way of compensation for loss of office or retirement from office.

No proceedings may be brought by a Director or Supervisor against our Company for any interest due to him in respect of the matters mentioned above except pursuant to a contract which has been entered into in the foregoing manner.

The contract concerning the emoluments between the Company and its Directors or Supervisors should provide that in the event of a takeover of the Company, the Directors and Supervisors shall, subject to the prior approval of shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purpose of this paragraph, a "takeover of the Company" includes any of the following:

(a) a general acquisition offer made by any person to all shareholders;

(b) a general acquisition offer made by any person with a view to the offeror becoming a "controlling shareholder" within the meaning set out in Article 58 of the Articles of Association.

If the relevant Director or Supervisor does not comply with the foregoing paragraph, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not be paid out of that sum.

Financial assistance for the acquisition of shares in the Company or any of its subsidiaries

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly assumes any obligations as a result of the acquisition of shares in the Company (the "Obligor").

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to the Obligor for the purposes of reducing or discharging the obligations assumed by such person.

The following activities are not prohibited:

(a) the provision of financial assistance by the Company where the financial assistance given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some larger purpose of the Company;

(b) the lawful distribution of the Company's assets as dividends;

(c) the allotment of bonus shares as dividends;

(d) a reduction of registered capital, a repurchase of shares of the Company or a reorganization of share capital structure of the Company effected in accordance with the Articles of Association;

(e) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits); and

(f) contributions made by our Company to the employee share ownership schemes (provided that the net assets of our Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For the purposes of the foregoing provisions,

(a) "Financial assistance" includes (without limitation):

(1) gift;

(2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the Obligor), compensation (other than compensation in respect of our Company's own default) or release or wavier of any rights;

(3) the provision of a loan or any other agreement under which the obligations of our Company are to be fulfilled before the obligations of another party to the agreement, or a change in the parties to, or the assignment of rights under, such a loan or other agreement; or

(4) any other form of financial assistance given by our Company when our Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "Assumption of obligation" include the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligation is to be borne solely by the Obligor or jointly with other persons) or by any other means which results in a change in his financial position.

Remuneration

The emoluments of a Director shall be approved by our Shareholders in general meeting as referred to under the sub-paragraph headed "Remuneration and compensation and payments for loss of office" above.

Retirement, appointment and removal

The term of office of the chairman and other Directors shall be three years commencing from the date of appointment or reelection, renewable upon reelection.

Our Directors shall be elected and dismissed by our Shareholders in general meeting.

A Director is not required to hold any share in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A person may not serve as a Director, Supervisor, general manager or other senior management of the Company if such person:

(1) has no civil capacity or has limited civil capacity;

(2) was sentenced for the offense of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five years has elapsed since the sentence was served, or who has been deprived of political rights due to such crimes, where less than five years has elapsed since the deprivation was completed;

(3) was a former director, factory manager or general manager of a company or enterprise which has been dissolved or put into liquidation on the ground of maladministration and was personally liable for the winding up of such company or enterprise, and less than three years has elapsed since the date of completion of the dissolution and liquidation of the Company or enterprise;

(4) was a former legal representative of a company or an enterprise which has had its business license revoked for violating the laws, and was personally liable for that revocation, and less than three years has elapsed since the date of revocation;

(5) has comparatively large amount of individual debts that have become overdue and have not been settled;

(6) has been currently under investigation for criminal offense and which investigation is not yet concluded;

(7) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(8) is not a natural person;

(9) has been convicted by relevant competent authorities for violation of securities-related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction.

The validity of an act by a Director, general manager or other senior management to bona fide third party shall not be affected by any irregularity in his appointment, election or eligibility.

The board shall consist of nine members. Members of the board shall have a chairman and three independent non-executive directors. The chairman should be elected and removed by over half of the entire member of the board.

Notice and Minutes of Board Meetings

Board meetings shall be held at least four times every year. Board meetings shall be convened by way of a notice served to all Directors not less than 14 days. Upon requisition by our Shareholders representing more than one-tenth of the voting shares, one-third or more directors, Supervisory Committee or general manager, an extraordinary meeting of the Board may be held. The chairman of the Board shall convene and preside the meetings by way of notice served to all Directors and Supervisors not less than 3 days before the date of the meeting. The Board shall keep minutes of board resolutions and the attending Directors and the person taking the minutes shall sign the board minutes.

Board meetings shall be held only if more than one-half of the Directors are present.

Each Director shall have one vote. Unless otherwise provided, resolutions of the Board require the approval of more than half of all the Directors.

Where the numbers of votes voting for and against a resolution are equal, the chairman of the Board shall have a casting vote.

Duties

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, general managers or other senior management of our Company breaches the duties which he owes to our Company, our Company has a right:

(1) to demand such Director, Supervisor, general managers or other senior management to compensate it for losses sustained by our Company as a result of such breach;

(2) to rescind any contract or transaction which has been entered into between our Company and such Director, Supervisor, general managers, or other senior management or between our Company and a third party (where such third party knows or should have known that such Director, Supervisor, general managers or other senior management representing our Company has breached his duties owed to our Company);

(3) to demand such Director, Supervisor, general managers or other senior management to account for profits made as a result of the breach of his duties;

(4) to recover any monies which should have been received by our Company and which were received by such Director, Supervisor, general managers or other senior management instead, including (without limitation) commissions; and

(5) to demand repayment of interest earned or which may have been earned by such Director, Supervisor, general managers or other senior management on monies that should have been paid to our Company.

BORROWING POWERS

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

(1) provisions which authorize the Board to formulate proposals for the issuance of bonds or other marketable securities and the listing of our Company; and

(2) provisions which provide that the issuance of bonds or other marketable securities and listing of our Company shall be approved by our Shareholder's general meeting by a special resolution.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

Pursuant to the provisions of law, administrative regulations and the Articles of Association, our Company can amend the Articles of Association.

The amendments to the Articles of Association involving the contents of Mandatory Provisions shall become effective upon approvals by the companies approving department and securities regulatory authority authorized by the State Council and by the CSRC. If there is any change relating to the registered particulars of our Company, application shall be made for change in registration in accordance with relevant law.

The Board shall amend the Article of Association in accordance with the resolution duly passed and authorized by our Shareholders.

VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Any proposal by our Company to vary or abrogate the rights conferred on any class of shareholders ("class right") must be approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or allocation rights or privileges equal or superior to the shares of that class;

(2) to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;

(3) to remove, or reduce rights to accrued dividends or rights to cumulative dividends attached to share of that class;

(4) to reduce or remove preferential rights to receive dividends or to the distribution of assets in the event that our Company is liquidated attached to shares of that class;

(5) to add, remove or reduce conversion privileges, options, voting rights, transfer or preemptive rights, or rights to acquire securities of the Company attached to shares of that class;

(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of that class;

(7) to create a new class of shares having voting or allocation rights or privileges equal or superior to those of the shares of that class;

(8) to restrict the transfer or ownership of the shares of that class or to increase the types of restrictions attaching thereto;

(9) to allot and issue rights to subscribe for, or to convert the existing shares into, shares in the Company of that class or another class;

(10) to increase the rights or privileges of shares of another class;

(11) to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders; and

(12) to vary or abrogate the provisions in Chapter 4 of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings shall nevertheless have the right to vote at class meetings in respect of matters concerning (2) to (8) and (11) to (12) above, but interested shareholder(s) shall not be entitled to vote at class meetings.

For the purposes of the class rights provisions of the Articles of Association, the meaning of "interested Shareholders" is:

(a) in the case of a repurchase of our Share by way of a general offer to all shareholders on the same pro-rata basis or by way of public dealing on a stock exchange pursuant to the Articles of Association, a "controlling shareholder" within the meaning of the Articles of Association;

(b) in the case of a repurchase of our Shares by an off-market contract pursuant to the Articles of Association, a holder of our Shares to which the proposed contract relates; and

(c) in the case of a restructuring proposal of the Company, a Shareholder within a class who bears a relatively lower proportion of obligation compared with that imposed on that class of Shareholders under the proposed restructuring or who has an interest in the proposed restructuring different from the general interest of other shareholders of that class.

Resolutions of a class of Shareholders shall be passed by votes representing more than two-third of the voting rights of Shareholders of that class present at the relevant meeting who, according to the Articles of Association, are entitled to vote thereat.

Written notice of a class meeting shall be given to all Shareholders who are registered as holders of that class in the register of Shareholders 45 days before the date of the class meeting. Such notice shall give such Shareholders notice of the matters to be considered at such meeting, the date and the place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to our Company 20 days before the date of the class meeting.

Notice of class meetings are only required to be served on shareholders entitled to vote at the class meeting. Class meetings shall be conducted, as far as is possible, in the same manner as shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any class meeting of shareholders.

Apart from other classes of Shareholders, our Shareholders of domestic shares and overseas listed shares are deemed to be Shareholders of different classes.

The special procedures for approval by a class of Shareholders shall not apply in the following circumstances:

(a) where our Company issues, upon approval by a special resolution of our Shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares and overseas-listed foreign-invested shares; or

(b) where our Company's plan to issue domestic shares and overseas-listed foreign invested shares at the time of its incorporation is completed within fifteen months from the date of approval by the CSRC; or

(c) where our Company's unlisted shares may be converted into foreign shares for listing and trading on an overseas stock exchange, subject to the approval of the CSRC.

ORDINARY AND SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of Shareholders general meetings shall be classified into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by votes representing more than one-half of the voting rights represented by our Shareholders (including proxies) present at the meeting.

The following matters shall be resolved by way of ordinary resolution at the general meeting:

(a) working reports of the Board and the Supervisory Committee;

(b) profit distribution proposals and proposals for making up losses formulated by the board;

(c) dismissal of members of the Board and members of the Supervisory Committee who are not employee representatives as well as their remuneration and manner of payment;

(d) annual preliminary and final budgets, balance sheets, profit and loss accounts and other financial statements;

(e) engagement or dismissal or cessation of engagement of accounting firms;

(f) matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution; and

(g) determining the Company's operational guidelines and investment plans.

A special resolution must be passed by votes representing two-thirds or more of the voting rights represented by our Shareholders (including proxies) present at the meeting.

The following matters shall be resolved by way of special resolution of our Shareholders' general meeting:

(a) increase or reduction of our Company's share capital and the issuance of shares of any class, warrants and other similar securities;

(b) issue of debentures of our Company;

(c) the separation, merger, change of corporate form, dissolution or liquidation of our Company;

(d) amendment of the Articles of Association;

(e) where our Company purchases or sells any important assets, or provides a guaranty of which the amount exceeds 30% of its latest audited total assets within a year;

(f) any other matters which should be adopted by a special resolution as required by laws, administrative regulations and the Articles of Association or as considered to be material to our Company under the ordinary resolution passed in our Shareholders' meeting.

VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

Our Shareholders have the right to attend or appoint a proxy to attend Shareholders' general meetings and to vote in proportion to their shareholdings thereat.

A Shareholder (including a proxy), when voting at a Shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one vote.

A poll demanded on the election of the chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs. On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall have a casting vote.

REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

The Board shall convene a Shareholders' annual general meeting once each year within six months of the end of the preceding financial year.

ACCOUNTS AND AUDIT

Our Company shall formulate its own financial and accounting system and internal audit system in accordance with the relevant requirements of PRC laws, administrative regulations and PRC accounting standards formulated by the financial department of the State Council.

Our Company shall prepare financial statements at the end of each fiscal year. Such statements shall be audited and examined under the requirements of laws. The Board shall place before our Shareholders at every annual general meeting such financial statements prepared by our Company in accordance with relevant laws, administrative regulations or directives promulgated by competent local and central governmental authorities.

The financial reports of our Company shall be made available for Shareholders' inspections at our Company not less than 20 days before the annual general meeting. Each Shareholder of our Company shall be entitled to obtain a copy of the financial reports.

Our Company shall send the printed copies of the abovementioned financial reports together with the directors' report to each Shareholder by mail at least 21 days before the annual general meeting. The service address shall be the address recorded in the register of Shareholders.

The financial statements of our Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the overseas place where our Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in a note to the financial statements. When our Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim and quarterly results or financial information published or disclosed by our Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place of where our Shares are listed.

The appointment, dismissal or termination of the office of the auditors shall be determined at Shareholders' general meetings and reported to the relevant State Council securities regulatory authorities for record.

Shareholders in general meeting may by ordinary resolution remove our Company's auditors before their term of office expires, irrespective of any provisions contained in the contract entered into between our Company and the auditors. Any right of the auditors to claim against our Company in connection with their removal shall not be affected by such removal.

In the event of the dismissal or termination of the services of the auditors, such auditors who are to be dismissed or whose services are to be terminated shall be given notice in advance. Such auditors shall have the right to present their views at the following Shareholders' general meetings:

(i) our Shareholders' general meeting at which their term of office would otherwise have expired;

(ii) any Shareholders' general meeting at which it is proposed to fill the casual vacancy caused by their removal; or

(iii) any Shareholders' general meeting convened on their resignation.

Our Company shall publish two financial reports every financial year, and interim report shall be published within 60 days after the expiry of the first six month period of the financial year. The annual financial report will be published within 120 days after the expiry of the financial year.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

Our Shareholders' general meeting is the organ of authority of our Company and shall exercise its functions and powers according to law.

Our Company shall not, without the prior approval of Shareholders in general meeting, enter into any contract with any person (other than a Director, Supervisor, general manager or other senior management) pursuant to which such person shall be responsible for the management and administration of the whole or any substantial part of our Company's business.

Shareholders' general meetings can be annual general meetings or extraordinary general meetings. Shareholders' meetings shall be convened by the Board.

The Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following circumstances:

(1) where the number of Directors is less than the number stipulated in the Company Law of PRC or two-thirds of the number specified in the Articles of Association;

(2) where the unrecovered losses of our Company amount to one-third of the total amount of its share capital;

(3) where Shareholder(s) holding 10% or more of our Company's issued and outstanding shares carrying voting rights request(s) in writing for the convening of an extraordinary general meeting;

(4) whenever the Board considers necessary or the Supervisory Committee so requests;

When our Company convenes a Shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting to notify all of our Shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting. A Shareholder who intends to attend the meeting shall deliver to our Company his written reply concerning the attendance at such meeting to our Company 20 days (exclusive of the date of meeting) before the date of the meeting.

Our Shareholders holding over and including 3%, representing three percent, of the total shares of our Company by oneself or in total may put forward interim proposals and submit such to the board in written 10 days before the meeting. Our Company shall submit such proposals to our Shareholders' general meeting for discussion.

An extraordinary Shareholders' general meeting shall not decide on matters not stated in the notice of meeting.

Our Company shall, based on the written notice which it replies receives 20 days before the date of our Shareholders' general meeting from our Shareholders, calculate the number of voting shares represented by our Shareholders who intend to attend the meeting. If the number of voting shares represented by our Shareholders who intend to attend the meeting amount to more than one-half of our Company's total voting shares, our Company may hold the meeting; if not, then our Company shall within five days notify our Shareholders again by way of public announcement the matters to he considered at, the place and date for, the meeting. Our Company may then hold the meeting after such announcement.

Notice of general meeting of Shareholders shall:

(a) be in writing;

(b) specify the venue, date and time of the meeting;

(c) state the matters to be discussed at the meeting;

(d) provide such information and explanation as are necessary for our Shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate our Company with another to repurchase shares of our Company, to reorganize the share capital, or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(e) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, general manager or other senior management in the proposed transaction and the effect of the proposed transaction on such Director, Supervisor, general manager or other senior management in his capacity as Shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;

(f) contain the full text of any special resolution to be proposed at the meeting;

(g) contain a clear statement that a Shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a Shareholder;

(h) specify the time and place for lodging the proxy form for the relevant meeting;

(i) specify the registration date of shares of Shareholders to attend; and

(j) contain the mobile phone number of the standing liaison.

For the holders of Domestic Shares, notice of the meetings may also be issued by way of public announcement. The public announcement shall be published in one or more national newspapers designated by the CSRC within the interval between 45 days and 50 days before the date of the meeting. After the publication of such announcement, the holders of Domestic Shares shall be deemed to have received the notice of the relevant Shareholders' general meeting.

For the holders of our H shares, under the permission expressly given by our Shareholder and in accordance with the Listing Rules, the notice of Shareholder's general meeting, inform letter and other documents could be issued by way of online announcement on website of our Company and the HKEx.

TRANSFER OF SHARES

Fully paid overseas listed foreign shares listed in Hong Kong shall be transferred freely in accordance with the provisions set forth in the Articles of Associations. However, the Board may refuse to recognize any instrument of transfer without giving any reason, unless:

(1) a fee as provided by, from time to time, the Stock Exchange Listing Rules has been paid to our Company for registration of any transfer or any other document which is related to or will affect ownership of or change of ownership of our Shares;

(2) The share transfer document only involves the overseas listed foreign shares listed in Hong Kong;

(3) Stamp duty has been paid in respect of the share transfer document;

(4) Relevant share certificates and such other evidence as the Board of directors may reasonably require to show the right of the transferor to make the transfer have been produced;

(5) the document of transfer shall use standard transfer form stipulated by the Stock Exchange;

(6) If the Shares are transferred to joint holders, the number of joint holders shall not exceed four;

(7) The shares are free from any lien in favor of any company.

REGISTER OF SHAREHOLDERS

Our Company shall keep a complete register of Shareholders which shall contain the following particulars:

(1) the name (title) and address (residence), the occupation or nature of each Shareholder;

(2) the quantity and the class of shares held by each Shareholder;

(3) the amount paid-up on or agreed to be paid-up on the Shares held by each Shareholder;

(4) the share certificate number(s) of the Shares held by each Shareholder;

(5) the date on which each Shareholder was entered in the register as a Shareholder; and

(6) the date on which any Shareholder ceased to be a Shareholder.

Unless there is evidence to the contrary, the register of Shareholders shall be sufficient evidence of our Shareholders' shareholdings in our Company.

The register of Shareholders shall comprise the following parts:

(1) the register of Shareholders which is maintained at our Company's residence (other than those share registers which are described in subparagraphs (2) and (3) below);

(2) the register of Shareholders in respect of the holders of overseas-listed foreign-invested Shares of our Company which is maintained in the same place as the overseas stock exchange on which our Shares are listed; and

(3) the register of Shareholders which are maintained in such other place as the board may consider necessary for the purposes of listing of our Company's shares.

Our Company may, in accordance with the mutual understanding and agreements made between the CSRC and overseas securities regulatory organizations, maintain the register of Shareholders of overseas-listed foreign-invested shares overseas and appoint overseas agent(s) to manage such share register. The original share register for holders of our H Shares shall be maintained in Hong Kong.

A duplicate of the register of shareholders for holders of overseas-listed foreign invested shares shall be maintained at our Company's residence. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times. If there is any inconsistency between the original and the duplicate register of shareholders for holders of overseas-listed foreign invested shares, the original register of shareholders shall prevail.

Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

Amendments or rectification of the register of Shareholders shall be made in accordance with the laws of the place where the register of Shareholders is maintained.

No changes in our Shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for our Company's distribution of dividends.

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES AND REDUCE ITS SHARE CAPITAL

Subject to the provisions of the Articles of Association, our Company may reduce its registered capital.

Our Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the competent authority of PRC, repurchase its own issued shares under the following circumstances:

(1) cancelation of shares for the purpose of reducing its share capital;

(2) merging with another company that holds shares in our Company;

(3) to use shares for employee stock option plan or equity incentives;

(4) it is requested by any Shareholder to purchase his shares because this Shareholder raises any objection to our Company's resolution on merger or demerger made at our Shareholders' general meeting;

(5) to use shares for converting convertible corporate bonds issued by the listed company; or

(6) it is necessary for Company to protect the corporate value and the rights and interests of shareholders.

Where a company needs to purchase its own shares for any of the reasons as mentioned in items (1) and (2) of the preceding paragraph, it shall be subject to a resolution of our Shareholders' general meeting. Company needs to purchase its own shares for any of the reasons as mentioned in items (3), (5) and (6) of the preceding paragraph, it be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph, the Company shall, under the reasons set forth in item (1), cancel them within 10 days after the purchase; while under the reasons set forth in either item (2) or (4), transfer or cancel them within six months; and while under the reasons set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

Our Company may repurchase shares in one of the following ways, with the approval of the relevant governing authority of PRC:

(1) by making a general offer for the repurchase of shares to all its Shareholders on the same pro rata basis;

(2) by repurchasing shares through public dealing on a stock exchange;

(3) by repurchasing shares outside of the stock exchange by means of an off-market agreement.

Our Company must obtain the prior approval of our Shareholders in a general meeting (in the manner stipulated in the Articles of Association) before it can repurchase shares outside of the stock exchange by means of an off-market agreement. Our Company may, by obtaining the prior approval of our Shareholders in general meeting (in the same manner), release, vary or waive its rights under an agreement which has been so entered into.

An agreement for the repurchase shares referred to in the preceding paragraph includes (without limitation) an agreement to become liable to repurchase shares or an agreement to have the right to repurchase shares.

Our Company may not assign an agreement for the repurchase of its shares or any right contained in such an agreement.

As for the cancelation of repurchased shares pursuant to the Articles of Association, our Company shall apply to the companies registration authority for registration of the change of its registered capital.

The aggregate par value of the canceled shares shall be deducted from our Company's registered share capital.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

(1) where our Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of our Company or out of proceeds of a new issue of shares made for the purpose of repurchase of old shares;

(2) where our Company repurchases shares of our Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of our Company or out of the proceeds of a new issue of shares made for the purpose of repurchase of old shares. Payment of the portion in excess of the par value shall be effected as follows:

    (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company;

(ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company or out of the proceeds of a new issue of shares made for the purpose of repurchase of old shares, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate of premiums received by our Company on the issue of the shares repurchased nor shall it exceed the book value of our Company's premium account (or if applicable, capital reserve fund account, including the premiums on the new issue) at the time of the repurchase.

The Company shall make the following payments out of the Company's distributable profits:

(i) payment for the acquisition of the right to repurchase its own shares;

(ii) payment for variation of any contract for the repurchase of its shares;

(iii) payment for the release of its obligation(s) under any contract for the repurchase of shares.

After the Company's registered capital has been reduced by the aggregate par value of the canceled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of shares which have been repurchased shall be transferred to the Company's capital reserve fund account.

Upon the reduction of registered capital, the Company shall prepare a balance sheet and a list of its assets. The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish the notice in a newspaper within 30 days thereof. Creditors who receive this notice shall have the right within 30 days from the date of receiving the notice and the creditors who have not received the notice shall have the right within 45 days from the date the notice was published in the newspaper, to require the Company to settle the debt or to provide corresponding security in respect of the debt.

The registered capital shall not be less than the minimum statutory requirement after the reduction of registered capital.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Company may distribute dividends in the following forms:

(a) cash; or

(b) shares.

The Company shall appoint receiving agents for holders of the overseas-listed foreign invested shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts which the Company should pay to holders of overseas-listed foreign-invested shares on such shareholders' behalf.

The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place at which the stock exchange on which the Company's shares are listed or the relevant regulations of such stock exchange.

PROXIES

Any Shareholder who is entitled to attend and vote at a meeting of our Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy or proxies to attend and vote on his behalf, and a proxy so appointed shall:

(1) have the same rights as our Shareholder to speak at the meeting;

(2) have the right to demand or join in demanding a poll; and

(3) have the right to vote by hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is legal person, under the hand of the authorized representative or his attorney duly authorized. The instrument appointing a proxy shall be deposited at our Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointer, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization document shall, together with the instrument appointing the voting proxy, be deposited at our Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or such person as is authorized by resolution of its board of directors or other governing body may attend at any meeting of Shareholders of our Company as a representative of the appointor.

Any form issued to a Shareholder by the Board for use by our Shareholder for appointing a proxy to attend and vote at a meeting of our Company shall be such as to enable our Shareholder, according to his intention, to instruct the proxy to vote in favor of or against each resolution dealing with the business to be transacted at the meeting. Such a form shall contain a statement to the effect that, in the absence of such instructions by our Shareholder, the proxy may vote as he thinks fit. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid have been received by our Company before the commencement of the meeting.

SHAREHOLDERS' RIGHTS TO INFORMATION

The primary right of the holders of ordinary shares of the Company, among other things, are:

(1) to receive dividends and other forms of profit distributions in proportion to the number of Shares held;

(2) to demand, convene, preside, attend or appoint a proxy to attend shareholders' general meetings on his behalf and to vote thereat in accordance with laws;

(3) to supervise the business operations of the Company and to present proposals or to raise enquiries;

(4) to transfer give or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;

(5) to obtain relevant information in accordance with the Articles of Association including:

(a) the right to a copy of the Articles of Association at cost;

(b) the right to inspect and copy upon paying reasonable charges:

(i) all parts of the register of shareholders;

(ii) personal particulars of each of the Directors, Supervisors, general managers and other senior management including:

(aa) present and former name and alias;

(bb) principal residential address;

(cc) nationality;

(dd) primary and all other part-time occupations and duties;

(ee) identification documents and their numbers;

(iii) report on the State of the Company's share capital;

(iv) reports showing the aggregate number and par value of Shares repurchased by the Company since the end of the last accounting year, the aggregate amount paid by the Company for the Shares repurchased and the maximum and minimum price paid in respect of each class of Shares repurchased;

(v) minutes of Shareholder's general meetings;

(vi) report of the board of directors meetings and supervisors meetings;

(6) receipts of the Company Bond;

(7) fiscal and accounting report;

(8) in the event of the termination or liquidation of our Company to participate, in the distribution of surplus assets of our Company in accordance with the number of Shares held; and

(9) other rights conferred by laws, administrative regulations and the Articles of Association.

QUORUM FOR GENERAL MEETINGS AND CLASS MEETINGS

Our Company may convene a Shareholders' general meeting where the number of voting shares represented by those Shareholders from whom our Company has received, 20 days before the meeting, notices of intention to attend the meeting is more than one-half of our Company's total number of voting shares; or, if not, our Company shall within five days publicly announce to our Shareholders the agenda, the date and venue of the meeting. Having made announcement by way of notice, our Company may convene Shareholder's general meeting.

Our Company may convene a class meeting where the number of voting shares represented by those Shareholders from whom our Company has received, 20 days before the meeting, notices of intention to attend the meeting is more than one-half of the total number of voting shares of that class; or, if not, our Company shall within five days publicly announce to our Shareholders the agenda, the date and venue of the meeting. Having made announcement by way of notice, our Company may convene Shareholders' class meetings.

RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which the H Shares of our Company are listed, a Controlling Shareholder (as defined below) shall not exercise his voting rights in a manner prejudicial to the interests of all or some of our Shareholders of our Company in respect of the following matters:

(a) to relieve a Director or Supervisor of his duty to act honestly in the best interests of our Company;

(b) to approve the expropriations by a Director or Supervisor (for his own benefit or for the benefit of another person) of our Company's assets in any way, including without limitation, opportunities beneficial to our Company; or

(c) to approve the expropriations by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including without limitation, rights to distributions and voting rights except pursuant to a restructuring of our Company which has been submitted to our Shareholders for approval in a general meeting in accordance with the Articles of Association.

For these purposes, a "Controlling Shareholder" means a person who satisfies any one of the following conditions:

(i) he alone or acting in concert with others has the power to elect more than half of our Directors;

(ii) he alone or acting in concert with others has the power to exercise or to control the exercise of 30% or more of the voting rights in our Company;

(iii) he alone or acting in concert with others holds 30% or more of the issued shares; or

(iv) he alone or acting in concert with others in any other manner is in de facto control of our Company.

PROCEDURES ON LIQUIDATION

Shareholders have the right to participate in the distribution of the surplus assets of our Company in proportion to the number of shares held by them in the event of a liquidation of our Company.

Our Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(1) when the term of operation is expired or other dissolution events stipulated in the Articles of the Association occur;

(2) where our Shareholders' general meeting resolves that our Company should be dissolved;

(3) where dissolution is necessary as a result of the merger or division of our Company;

(4) where our Company is declared insolvent according to the law because it is unable to pay its debts as they fall due;

(5) when our Company is ordered to be closed down by reason of its violation of laws or administrative regulations; or

(6) when our Company is experiencing material difficulties in operations, and its continual operator will lead to substantial loss to the benefits of our Shareholders and no other solutions to resolve the matters, our Shareholders, who aggregately hold more than 10% of total voting shares of our Company, can appeal to the court for dissolution of our Company.

A liquidation committee shall be set up within 15 days of our Company being dissolved pursuant to sub-paragraphs (1), (2), (5) and (6) of the preceding paragraph to carry out a liquidation. The liquidation committee shall comprise people as determined by our Shareholder's general meeting as ordinary resolution.

Where our Company is dissolved under sub-paragraphs (4) of the preceding paragraph, the People's Court shall in accordance with the provisions of relevant laws organize our Shareholders, relevant organizations and relevant professional personnel to establish a liquidation committee to carry out the liquidation.

Where the Board proposes to liquidate our Company due to reasons other than where our Company's declaration of its own insolvency, the board shall include a statement in its notice convening a Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of our Company, the board is of the opinion that our Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by our Shareholders in general meeting for the liquidation of our Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of our Shareholders' general meeting to make a report at least once every year to our Shareholders' general meeting on the committee's income and expenses, the business of our Company and the progress of the liquidation; and to present a final report to our Shareholders' general meeting on completion of the liquidation.

OTHER PROVISIONS MATERIAL TO OUR COMPANY OR OUR SHAREHOLDERS

General Provision

Our Company is a joint stock limited company whose term of operation is long-term.

From the date on which the Articles of Association come into effect, the Articles of Association shall constitute a legally binding public document regulating our Company's organization and activities, and the rights and obligations between our Company and each Shareholder and among our Shareholders inter se.

Share capital

Our Company may, based on its operating and development needs, increase its share capital pursuant to the Articles of Association.

Our Company may increase its capital in the following ways:

(i) by public offering of new shares;

(ii) by nonpublic offering of new shares;

(iii) by placing new shares to its existing shareholders;

(iv) by allotting bonus shares to its existing shareholders;

(v) by capitalizing its capital common reserve;

(vi) by any other means which is permitted by laws and administrative regulations.

After our Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provision of the Articles of Association, the issuance thereof should be made in accordance with procedures set out in the relevant laws and administrative regulations.

Shareholders' obligations

The ordinary shareholders of our Company shall assume the following obligations:

(i) to comply with laws and regulations and the Articles of Association;

(ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(iii) unless otherwise stated in laws or regulations, no withdrawal shall be sustained;

(iv) impairing interests of our Company or other Shareholders via abuse of Shareholders' right is not permitted, where there is aforesaid damage caused, there is a legal duty of compensation of our Shareholder;

(v) Shareholder, who has severely damaged interests of our Company's creditor by abuse of the independent personality of our Company and the limited liability of shareholders, shall be held jointly liable for debts of our Company;

(vi) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make further contribution to the share capital other than as agreed by the subscriber of the relevant shares at the time of subscription.

Board

The Board is accountable to our Shareholders' general meeting and the primary powers of the Board, among other things, are:

(1) to be responsible for the convening of our Shareholders' general meeting and to report on its work to our Shareholders' general meeting;

(2) to implement the resolutions passed by our Shareholders in general meetings;

(3) to determine our Company's business plans and investment proposals;

(4) to formulate our Company's annual preliminary and final financial budgets;

(5) to formulate our Company's profit distribution proposal and loss recovery proposal;

(6) to formulate proposals for the increase or reduction of our Company's registered capital, and for the issuance of our Company's debentures;

(7) to draw up plans for the merger, division, change of our Company form or dissolution of our Company;

(8) to decide on our Company's internal management structure;

(9) to appoint or remove our Company's general manager and, decide on the appointment or removal of the deputy general manager based on the recommendations of the general manager, financial controller and other senior executives and their respective remuneration, bonus and disciplinary actions;

(10) to formulate our Company's basic management system;

(11) to formulate proposals for any amendment of the Articles of Association;

(12) to propose in Shareholder's general meetings to engage or replace the firm which undertakes auditing work of our Company;

(13) to exercise any other powers conferred by our Shareholders in general meeting or the Articles of Association.

Except the Board's resolutions in respect of the matters specified in subparagraphs (6), (7) and (11) above and other significant matters clearly provided in laws, administrative regulations, department rules or the Articles of Association and our Shareholders' general meeting which shall be passed by the affirmative vote of more than two-thirds of all the Directors the Board's resolutions in respect of all other matters may he passed by the affirmative vote of more than half of our Directors.

Meetings of the Board of Directors shall be held only if more than half of our Directors are present.

Each Director shall have one vote.

Where a Director is interested in any resolution proposed at a Board meeting, such Director shall have no right to vote nor may vote on behalf of any other person, and shall not attend such part of the meeting where his interested transaction is discussed.

The meeting of the Board shall not be held unless more than half of the disinterested directors are present at the meeting. A resolution of the Board shall be adopted by more than half of the disinterested directors. If the number of disinterested directors in person is less than 3 persons, the matter shall be submitted to our Shareholders' general meeting for deliberation.

Where there is an equality of votes cast both for and against a resolution, the chairman of the Board shall have a casting vote.

Supervisory Committee

Our Company shall have a Supervisory Committee.

Our Directors, general managers and other senior managements shall not act concurrently as Supervisors.

The Supervisory Committee shall be composed of three Supervisors. One of the members of the Supervisory Committee shall be the chairman. Each Supervisor shall serve for a term of three years, which term is renewable upon reelection and reappointment.

The election or removal of the chairman of the Supervisory Committee shall be determined by two-thirds or more of the members of the Supervisory Committee.

The Supervisory Committee shall comprise two representatives nominated by our Shareholders and one representative nominated by the staff. The representatives of our Shareholders shall be elected and removed by Shareholder's general meeting while the representatives of staff shall be elected and removed by the staff of our Company democratically.

The Supervisory Committee shall be accountable to our Shareholders in general meeting and shall exercise the following functions and powers in accordance with law:

(1) to monitor financial situations of our Company;

(2) supervising the related acts of any of our Directors, general managers and other senior management who violates any laws, administrative regulations or the Articles of Association;

(3) to demand any Director, general managers, any other senior management who acts in a manner which is detrimental to our Company's interest to rectify such behavior;

(4) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to our Shareholders' general meetings and to authorize, in our Company's name, publicly certified and practicing accountants to assist in the reexamination of such information should any doubt arise in respect thereof;

(5) to propose to convene a Shareholders' extraordinary general meeting;

(6) to represent our Company in negotiations with or in bringing actions against a Director; and

(7) other functions and powers specified in any law, administrative regulation and the Articles of Association.

The Supervisors may attend the meetings of the Board.

General manager

The Company shall have one general manager, who shall be appointed and dismissed by the Board.

The general manager shall be accountable to the Board and his primary powers, among other things, are:

(i) to be in charge of the Company's operation and management and to implement the resolutions of the board;

(ii) to formulate and implement the Company's annual business plan and investment plan;

(iii) to formulate the Company's internal management structure;

(iv) to formulate the Company's concrete bylaws;

(v) to draft the basic management scheme of the Company;

(vi) to propose the appointment or dismissal of our company's deputy managers, financial controllers;

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board;

(viii) to exercise other powers conferred by the Articles of Association and the board.

The general manager shall be present at meetings of the board, but shall have no voting rights at the meetings if it is not a Director.

The general manager, in performing its functions and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and the Articles of Association.

Secretary of the Board

The Company shall have one secretary of the Board. The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed and removed by the Board. His primary responsibilities, amongst other things, are to ensure that:

(i) the Company maintains a complete organizational documents and records;

(ii) the Company prepares and submits all reports and documents to the relevant authorities required by the law;

(iii) the register of shareholders of the Company is properly maintained and that the persons entitled to receive the Company's records and documents are furnished therewith without delay.

Accounts and audit

Appointment of an auditor

Our Company shall appoint an independent firm of certified public accountants ("CPA") which is qualified under the relevant regulations of PRC to audit our Company's annual financial reports and review our Company's other financial reports.

The first auditor of our Company could be appointed by the founding meeting before the first general meeting of Shareholders and the term of the office of the first auditor shall be terminated before the first general meeting of Shareholders. The Board could officiate the right aforesaid where the founding meeting fails to do so.

The term of office of an auditor shall commence from the conclusion of the annual general meeting of Shareholders at which the appointment is made and end at the conclusion of the next annual general meeting of Shareholders.

If there is a vacancy of the position of the auditors of our Company, the Board may appoint a CPA firm to fill such vacancy before the convening of our Shareholders' general meeting. Any other CPA firm which has been appointed by our Company may continue to act during the period during which a vacancy arises.

Our Shareholders in general meeting may by ordinary resolution remove an auditor before the expiration of its term of office, irrespective of any terms in the contract between our Company and the auditors. However, the auditors' right to claim for damages which arise from its removal shall not be affected thereby.

The remuneration of auditors or the manner in which such auditor is to be remunerated shall be determined by our Shareholders in general meeting. The remuneration of an accountant appointed by the board shall be determined by the Board.

Change and removal of an accounting firm

Our Company's appointment of, removal of and non-reappointment of a certified public accountants' firm shall be resolved by shareholders in general meeting. The relevant resolution of our Shareholders' general meeting shall be filed with the competent securities authority of the State Council.

Where a resolution is proposed to be passed at a general meeting of Shareholders to appoint as auditor a person other than an incumbent auditor, to fill a casual vacancy in the office of auditor, to reappoint as auditor a retiring auditor who was appointed by the Board to fill a casual vacancy, or to remove an auditor before the expiration of his term of office, the following provisions shall apply:

(1) A copy of the proposal shall be sent to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post (leaving includes leaving by removal, resignation and retirement) before notice of meeting is given to our Shareholders.

(2) If the auditor leaving its post makes representations in writing and requests our Company to notify such representations to our Shareholders, our Company shall (unless the representations are received too late) take the following measures:

(i) in any notice of the resolution given to Shareholders, state the fact of the representations having been made; and

(ii) attach a copy of the representations to the notice and deliver it to our Shareholders in the manner stipulated in the Articles of Association.

(3) If the paragraph, the auditor may (in addition to its right to he heard) require that the representations be read out at our Shareholders' general meeting and may lodge further complaints.

(4) An auditor which is leaving its post shall be entitled to attend:

(i) our Shareholders' general meeting at which its term of office would otherwise have expired;

(ii) any Shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and

(iii) any Shareholders' general meeting convened on its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former auditor of our Company.

Resignation of an auditor

A CPA firm may resign its office by depositing at our Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may he stipulated in such notice. Such notice shall contain the following statements:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should he brought to the notice of our Shareholders or creditors of our Company; or

(2) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, our Company shall within 14 days deliver a copy of the notice to the relevant governing authorities. If the notice contains a statement under the preceding paragraph (2), a copy of the notice shall be kept at our Company, for the inspection of our Shareholders. Our Company shall also send a copy of the notice to every Shareholder of the overseas-listed foreign shares who is entitled to receive a report on its financial situation at the address registered in the register of Shareholders.

Where the auditor's notice of resignation contains a statement in respect of the above, it may require the board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

Dispute resolution

The Company shall abide by the following principles for dispute resolution:

(1) Whenever any disputes or claims arising between holders of the overseas listed foreign invested Shares and the Company, holders of the overseas listed foreign-invested Shares and the Company's Directors, Supervisors, general manager or other senior management officers, or holders of the overseas listed foreign-invested Shares and holders of domestic invested Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, Director, Supervisor, general manager, deputy general manager or other senior management officers. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

(2) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the clamant.

If a claimant elects arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(3) If any disputes or claims of rights mentioned in the first paragraph of this section are referred to arbitration, the laws of PRC shall apply, save as otherwise provided in laws and administrative regulations.

(4) The award of an arbitration body shall be final and conclusive and binding on all parties.

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV – Taxation and Foreign Exchange". This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is composed of The PRC Constitution (中華人民共和國憲法) (the "Constitution"), laws, administrative regulations, local regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance. The Constitution, enacted by the NPC, is the basis of the PRC legal system and has supreme legal authority.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council enacts administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the Constitution, laws, and administrative regulations. People's congresses of districted cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the Constitution, laws, and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The ministries, commissions, PBOC, Audit Office and institutions with administrative functions directly under the State Council National Audit Office may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and districted cities may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

The power to interpret laws is vested by the Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme Court of the PRC has the power to give brief interpretations on the specific application of laws in judicial proceedings of the court in addition to its power to issue specific interpretations for specific cases.

The State Council and its ministries and commissions have the power to interpret the administrative regulations and departmental rules formulated by them; the power to interpret local laws and administrative regulations is vested in the regional legislative administrative organs that formulate local laws and administrative regulations.

PRC JUDICIAL SYSTEM

Under the Constitution and the Law of the PRC of Organization of the People's Courts (中華人民共和國人民法院組織法) which was enacted on July 1, 1979 and last amended on October 26, 2018, the judicial system in the PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be mainly organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts.

The people's courts adopt a "second instance as final" appellate system in the trial of cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. A time limit of two years is imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS OF PRC

The PRC Company Law which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended and came into effect on October 26, 2018 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The amendment to the PRC Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system. The last amendment to the PRC Company Law in 2018 has allowed joint stock limited company to conduct share repurchase under more circumstances and further specified the relevant requirements and procedures.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "Special Regulations") were promulgated by the State Council, and took effect on August 4, 1994. The Mandatory Provisions for the Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions") were promulgated jointly by the CSRC and the State Commission for Restructuring on August 27, 1994. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in "Appendix V – Summary of Articles of Association").

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in "Appendix VIII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection".

Main provisions in PRC Company Law, Special Regulations and Mandatory Provisions are summarized as follows:

General

A joint-stock limited liability company (hereinafter referred to as "company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by laws and administrative regulations, for the modification of its operation mechanisms, the systematic handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. They shall not raise capital from others before the promoters fully pay the capital subscribed by them. For companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall give notice to all subscribers 15 days before the meeting or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Where after the incorporation of a company, a promoter fails to pay in full the subscription monies in accordance with the provisions of the company's articles of association, the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company's articles of association, the promoters making such contributions shall make up the difference; and the other promoters shall bear joint and several liability.

The promoters of a company shall bear the following liabilities:

Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the process of incorporation;

Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription monies paid by the subscribers, plus their bank deposit interest calculated for the relevant period of time; and

Where the interests of the company are impaired due to the default committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value, except for property that is not allowed to be used as capital contributions as provided for by laws or administrative regulations.

If capital contribution is made other than in cash, the valuation and verification of the property contributed must be carried out and converted into shares according to the laws. Non-current property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares listed overseas and issued to foreign investors shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region, Macau, China and Taiwan and listed overseas are known as overseas listed foreign invested shares, and shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The shares shall be issued in compliance with the principles of fairness and impartiality. The shares of the same class must carry the same rights. Shares shall be issued on the same conditions and at the same price. All units and individuals shall pay the same price for each of the share they subscribe for. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value. Shares issued by a company with limited liability may be either registered shares or bearer shares.

The transfer of shares by shareholders should be conducted via a legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not in each year during their term of office transfer over 25.0% of the shares held by each of them in the company and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the benchmark date determined by the company for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law (中華人民共和國證券法) (the "Securities Law") provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; and (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; the creditors shall, within 30 days from the date they receive the written notice, or within 45 days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(i) to reduce its registered capital of the company;

(ii) to merge with another company that holds its shares;

(iii) to use shares for employee stock ownership plan or equity incentives;

(iv) a shareholder requests the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company;

(v) to use shares for converting convertible corporate bonds issued by the listed company; or

(vi) it is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances described in (i) and (ii) above shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances described in (iii), (v) and (vi) above may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares, a company shall, under the circumstance described in (i) above, cancel them within 10 days after the purchase; while under the circumstance described in either (ii) or (iv) above, transfer or cancel them within six months; and while under the circumstance described in (iii), (v) and (vi) above, aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law. A listed company purchasing its own shares under any of the circumstances set forth in (iii), (v) and (vi) above shall carry out trading in a public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its roster of shareholders. No registration of modification to the roster of shareholders as stipulated by the preceding paragraph shall be made within the period of 20 days prior to the convening of a meeting of the shareholders general assembly or within the period of 5 days prior to the date of record on which the company decides to distribute dividends.

Transfer of bearer shares shall become effective immediately after a shareholder delivers such share certificates to a transferee.

Shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Directors, supervisors and senior managers of a company shall declare to the company the numbers of the company's shares held by them and the changes of the shares they hold, and the number of the company's shares annually transferred by each of them during their term of office shall not exceed 25 percent of the total number of the company's shares held by them respectively; the company's shares held by the persons mentioned above shall not be transferred within six months after they leave office. The company's articles of association may stipulate other restrictive provisions on the transfer of the company's shares held by the directors, supervisors and senior managers of the company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) to lodge an action in the people's court in the event that any directors or senior officers prejudice the shareholder's interests by violating laws or administrative regulations or articles of association;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to bear liability for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to consider and approve any increase or reduction in the company's registered capital;

(viii) to consider and approve the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iii) the board of directors deems necessary to convene the meeting;

(iv) the supervisory committee proposes to convene the meeting; or

(v) other circumstances required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or fails to perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or fails to perform his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or fails to perform its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety days consecutively may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting stating the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting under the PRC Company Law and 45 days before the meeting under the Special Regulations and the Mandatory Provisions. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may appoint a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may only be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Where holders of bearer shares intend to attend a meeting of the shareholders general assembly, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Directors

A company shall have a board of directors which shall consist of 5 to 19 members and there can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if reelected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may specify the method of giving notice and the notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director to attend the meeting on his behalf by a written power of attorney specifying the scope of the authorization.

If the company suffers serious losses as a result of a resolution of the board of directors which violates laws, administrative regulations or the company's articles of association, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of such liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) persons who are otherwise disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association").

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to monitor the implementation of the resolutions of the board of directors.

In accordance with the Mandatory Provisions, the legal representative of a company is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association") contain further elaborations of such duties.

Directors shall be liable for the resolutions adopted by the board of directors. Where a resolution of the board violates laws, administrative regulations, or the company's articles of association, or the resolutions of the shareholders general assembly, and causes serious losses to the company, the directors participating in the adoption of such a resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his objection to such a resolution when it was put to the vote and his objection was recorded in the minutes of the meeting, he may be exempted from such liability.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a reelected supervisor takes office, if reelection is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee shall be made up of shareholders representatives and an appropriate proportion of the company's staff representatives. The number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the PRC Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings, to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' general meetings;

(vi) to commence any action against any director or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. Expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. According to the PRC Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors, and pursuant to the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) promulgated by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all supervisors. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

The board of supervisors shall have one chairman and may have one vice chairman. Both shall be elected by more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meeting of the board; where the chairman of the board of supervisors cannot perform the functions or fails to do so, the vice chairman shall convene and preside over the meeting of the board; and where the vice chairman cannot perform the functions or fails to do so, a supervisor jointly elected by half or more of the supervisors shall convene and preside over the meeting of the board.

Managers and other Senior Officers

The "senior manager" refers to the manager, vice manager, person in charge of finance of a company, and the secretary of the board of directors of a listed company as well as any other person as stipulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) oversee the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company includes the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company also apply to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association".

Duties of Directors, Supervisors and Senior Officers

Directors, supervisors and senior officers of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of other businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties shall be personally liable to the company for any resulting loss suffered by the company.

The Special Regulations and the Mandatory Provisions provide that directors, supervisors and senior officers of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, or senior officer is requested by the shareholders' general meeting, such director, supervisor, or other senior officer shall attend the meeting as requested and answer questions asked by shareholders. Directors and senior officers shall provide all accurate facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its affiliate, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall make its financial statements available for inspection by the shareholders at the company at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year's profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve, the remaining profits may be distributed to the shareholders in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company in issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting to the ending at the close of the next following annual general meeting.

Appointment or dismissal of auditors in charge of the auditing business of a company shall be subject to decision by the shareholders assembly, the shareholders general assembly or the board of directors in accordance with the provisions of the company's articles of association. Where the shareholders assembly, the shareholders general assembly or the board of directors of a company votes on the dismissal of an accounting firm, it shall allow the accountants to state their opinions. A company shall provide authentic and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accountants it appoints, and shall not refuse to do so, or conceal any facts or make false reports about them.

If a company removes or fails to re-appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or ceasing re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

A company shall not have any accounting books other than the statutory accounting books. No accounts shall be opened in the name of any individual for deposit of the assets of a company.

Distribution of Profits

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations prescribed in its articles of association has expired or events of dissolution prescribed in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association").

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If the companies merge by absorption, the company which is absorbed shall be dissolved. If the companies merge by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days as of making the decision of merger, notify their creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days of the receipt of the notice or within forty five days of the issuance of the public announcement if it fails to receive a notice, require the company to settle its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten days of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise agreed in writing by the company and the creditors before the division.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities firms, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was last amended on August 31, 2014. This is the first securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities firms and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares oversea. Article 239 of the Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

Suspension and Termination of Listing

All provisions on the suspension and termination of listing were deleted from the PRC Company Law. The following revisions were made in the Securities Law:

The stock exchange shall suspend the listing of the stocks of a listed company under the following circumstances:

(i) Where the total amount of capital stock or share distribution of the company changes and thus, fails to meet the requirements of listing;

(ii) Where the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial statements which may mislead the investors;

(iii) Where the company has been dissolved or has been declared insolvent;

(iv) Where the company has been operating at a loss for the latest 3 consecutive years; or

(v) Under any other circumstance as prescribed in the listing rules of the stock exchange.

According to the Securities Law, should the company fail again to meet the requirements of listing within the period as prescribed by the stock exchange; and in the circumstances described in (i), (ii), (iv) above, should the company refuse to make any correction; as well as in the circumstances described in (i), (ii), (iv) above, should the company fail to gain profits in the year thereafter, the stock exchange shall terminate the listing of its stocks.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the National People's Congress on August 31, 1994 and the latest version was amended on September 1, 2017. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Listing Rules, also in contracts with each of our Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of our H Shares and us; holders of our H Shares and our Directors, Supervisors or officers; or holders of our Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, Directors, Supervisors, our officers, shall be subject to the arbitration. Disputes in respect of the identify of any shareholder and those in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for Enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Provisions for Overseas Investment Management (境外投資管理辦法) promulgated by the Ministry of Commerce and took effect on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定) issued by the SAFE and which took effect on August 1, 2009, upon obtaining approval from the Ministry of Commerce to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such preemptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If our H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least 20 days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V – Summary of Articles of Association.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements, and (iii) where the Company issues and lists its H shares overseas, upon receiving the approval of the State Council or the securities regulatory authorities under the State Council, our shareholders may liquidate the unlisted shares they hold for dealing in overseas.

Derivative Action By Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

On August 29, 1996, the predecessor of our Company, Shenzhen Tianda Heavy Industries Ltd. Co. (深圳天達重型機械有限公司), was established as a sino-foreign joint venture with limited liability in Shenzhen, the PRC, with a registered capital of US$1,000,000. On May 24, 2005, our Company was renamed as CIMC Vehicle (Group) Co., Ltd. (中集車輛(集團)有限公司). On October 23, 2018, our Company was converted into CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司), a joint stock company with limited liability, with the promoters being CIMC, CIMC Hong Kong, Shanghai Taifu, Taizhou Taifu, Shenzhen Longyuan, Nanshan Dacheng, Xiangshan Huajin and Sumitomo Corporation.

We have established a place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 11, 2018. Ms. Ko Mei Ying (高美英) has been appointed as our agent for the acceptance of services of process and notices on behalf of our Company in Hong Kong.

As we are incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix VI and Appendix V to this prospectus.

B. Changes in the Share Capital of our Company

On December 30, 2015, the registered capital of our Company was increased to US$212,225,068.

On October 23, 2018, our Company was converted into a joint stock company with limited liability, and our registered share capital was RMB1,500,000,000, consisting of 1,500,000,000 Shares with a nominal value of RMB1.00 each.

Upon completion of the Global Offering, without taking into account any H Shares which may be issued pursuant to the Over-allotment Option, our registered share capital will be increased to RMB1,765,000,000, comprising 1,201,080,000 Domestic Shares, 563,920,000 H Shares, representing 68.05% and 31.95% of our registered capital, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

C. Resolutions of the Shareholders of our Company dated October 26, 2018

On October 26, 2018, the Shareholders of our Company passed, among other things, the following resolutions:

(a) the issue by our Company of our H Shares of nominal value of RMB1.00 each. The amount of our H Shares is no less than 15% but no more than 18.2% of the total share capital as enlarged immediately following the Global Offering (before the exercise of the Over-allotment Option);

(b) the granting of the Over-allotment Option in respect of no more than 15% of the number of our H Shares issued as mentioned above;

(c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective from the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(d) approving the Board to handle all matters relating to, among other things, the issue of our H Shares and the Listing of our H Shares on the Stock Exchange.

D. Conversion

In preparation of the Global Offering, we underwent the Conversion, details of which are set out in "History, Conversion and Corporate Structure" in this prospectus. Our PRC legal advisors, Shu Jin Law Firm, has confirmed that the Conversion was legally and duly completed, and that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the Conversion.

E. Our Subsidiaries

(a) Subsidiaries

Certain details of our principal subsidiaries are set forth in the Accountant's Report in Appendix I to this prospectus.

(b) Changes in the share capital of principal subsidiaries

The following changes in the share capital of our subsidiaries took place during the two years immediately preceding the date of this prospectus:

- On October 30, 1997, Huajun Vehicle was established in the PRC with a total registered capital of RMB3,080,000. In November 2017, the total registered capital was increased to RMB205,340,000.

- On May 28, 2004, Shenzhen CIMC Vehicle Marketing Co., Ltd. (深圳中集車輛銷售有限公司) was established in the PRC with a total registered capital of RMB3,000,000. In February 2019, the total registered share capital was increased to RMB6,500,000.

- On December 18, 2006, CIMC Shanghai Baojian was established in the PRC with a total registered capital RMB3.3 million. In May 2017, Shanghai Baoshan Baotong Group Asset Management Co. (上海寶山寶通集體資產經營管理公司) transferred 6.93% equity interest of CIMC Shanghai Baojian it held to CIMC Shanghai Logistics, following the completion of which, the equity interest of CIMC Shanghai Baojian is held as to 79.23% and 20.77% by CIMC Shanghai Logistics and Shanghai Xinjiang Industrial Co., Ltd. (上海新江實業有限公司), respectively.

- On March 1, 2007, Shandong Wanshida was established in the PRC with a total registered capital of RMB2,000,000. In July 2016, the total registered capital increased to RMB66,000,000.

- On March 8, 2007, CIMC Luoyang was established in the PRC with a total registered capital of RMB60,000,000. The registered capital of CIMC Luoyang was increased to RMB104,938,400 in January 2017 and was further increased to approximately RMB122,745,706 in March 2017.

- On March 26, 2007, CIMC Wuhu was established in the PRC with a total registered capital of RMB70,000,000. The total registered capital was increased to RMB103,793,340 in December 2016, increased to RMB161,786,090 in February 2017, and further increased to approximately RMB209,786,095 in May 2018.

- On October 18, 2007, Shanghai CIMC Special Vehicles Co., Ltd. (上海中集專用車有限公司) was established in the PRC with a total registered capital of RMB30,000,000. In March 2017, the total registered capital was decreased to RMB10,000,000.

- On November 30, 2007, Qingdao Reefer was established in the PRC with a total registered capital of US$25,000,000. In April 2016, the registered capital of Qingdao Reefer was increased to US$29,404,963.

- On July 21, 2014, CIMC Dongguan was established in the PRC with a total registered capital of RMB20,000,000. In August 2018, the total registered capital was increased to RMB300,000,000.

- In December 2016, Huajun Vehicle transferred entire equity interest of Zhumadian CIMC Huajun Automobile Trading Co., Ltd. (駐馬店中集華駿汽車貿易有限公司) to our Company.

- On November 4, 2016, Wuhan Shengji Logistics was established in the PRC with a total registered capital of RMB6 million. In December 2017, Shaanxi CIMC Vehicle Sales Service Co., Ltd. (陝西中集車輛銷售服務有限公司) transferred the entire equity interest of Wuhan Shengji Logistics to Vanguard Trailer Rental.

- On December 7, 2016, Shanghai Rongji Logistics was established in the PRC with a total registered capital of RMB6 million. In September 2017, Shanghai CIMC Vehicle Sales Services Co., Ltd. (上海中集汽車銷售服務有限公司) transferred the entire equity interest of Shanghai Rongji Logistics to Vanguard Trailer Rental.

- On August 4, 2017, Vanguard Trailer Rental was established in the PRC with a total registered capital of RMB160,000,000. In February 2018, the total registered capital was increased to RMB200,000,000. On October 28, 2016, Shenzhen Shengji Logistics was established in the PRC with a total registered capital of RMB6 million. In December 2016, Zhang Yang (張揚) transferred the entire equity interest of Shenzhen Shengji Logistics to Shenzhen CIMC Vehicle Marketing Co., Ltd. (深圳中集車輛銷售有限公司) which later transferred the entire equity interest of Shenzhen Shengji Logistics to Vanguard Trailer Rental. In December 2018, the total registered capital of Shenzhen Shengji Logistics was increased to RMB20,000,000.

- In March 2018, Maplewoods Global Limited transferred 10.00% equity interest of Vanguard Trailer Rental it held to HOPU Trailer Investment Company Limited, following the completion of which, the equity interest of Vanguard Trailer Rental is held as to 55.00%, 25.00%, 5.00%, 5.00% and 10.00% by our Company, CIMC Vehicle Investment, Shenzhen Huixin Enterprise Management Center (L.P.) (深圳匯信企業管理中心(有限合夥)), Zhenjiang Yulong Investment Co., Ltd. (鎮江裕瓏投資有限公司) and HOPU Trailer Investment Company Limited, respectively.

- On December 18, 2018, the registered capital of CIMC Jiangmen was reduced to RMB108,161,486. On December 20, 2018, the registered capital of CIMC Jiangmen was increased to RMB141,215,315.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountant's Report set out in Appendix I to this prospectus, our Company has no other subsidiaries.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

(a) the equity transfer agreement dated December 7, 2017, entered into among our Company, Taizhou Taifu and CR Trust pursuant to which CR Trust agreed to transfer 10.7735% of the equity interest of our Company to Taizhou Taifu for a consideration of RMB818,788,087;

(b) the equity transfer agreement dated August 27, 2018, entered into between our Company and Mr. Kong Xianming (孔憲明), pursuant to which Mr. Kong agreed to transfer 6.1% of the equity interest of Jiangsu Baojing Auto Parts Co., Ltd. (江蘇寶京汽車配件有限公司) to our Company for a consideration of RMB3,050,000;

(c) the promoters' agreement dated September 30, 2018, entered into between CIMC, CIMC HK, Shanghai Taifu, Shenzhen Longyuan, Sumitomo Corporation (住友商事株式會社), Nanshan Dacheng, Taizhou Taifu and Xiangshan Huajin, pursuant to which our Company was converted into a joint stock company with limited liability;

(d) the equity transfer agreement dated October 12, 2018, entered into between our Company and Baosteel Metal Co., Ltd. (寶鋼金屬有限公司), pursuant to which Baosteel Metal Co., Ltd. agreed to transfer 42% of the equity interest of Jiangsu Baojing to our Company for a consideration of RMB21,000,000;

(e) the equity transfer agreement dated December 22, 2018, entered into between our Company and Mr. Kong Xianming (孔憲明), pursuant to which Mr. Kong agreed to transfer 3.9% of the equity interest of Jiangsu Baojing Auto Parts Co., Ltd. (江蘇寶京汽車配件有限公司) to our Company for a consideration of RMB1,950,000;

(f) the equity transfer agreement dated December 31, 2018, entered into between our Company and Beijing Huitongtianxia IOT Technology Co., Ltd. (北京匯通天下物聯科技有限公司) ("Beijing Huitong"), pursuant to which Beijing Huitong agreed to transfer 3% of the equity interest of Zhenjiang Technology to our Company for a consideration of RMB330,000;

(g) the equity transfer agreement dated December 31, 2018, entered into between our Company and Changshu Shenyi Van Manufacturing Co., Ltd. (常熟申毅卡車廂體製造有限公司) ("Changshu Van"), pursuant to which Changshu Van agreed to transfer 28% of the equity interest of Zhenjiang Technology to our Company for a consideration of RMB3,080,000;

(h) the equity transfer agreement dated November 30, 2018, entered into between our Company and CIMC, pursuant to which CIMC agreed to transfer 44.34% of the equity interest of Qingdao Special Vehicle to our Company for a consideration of RMB41,074,610;

(i) the equity transfer agreement dated November 30, 2018, entered into between CIMC Hong Kong and CIMC Vehicle Investment, pursuant to which CIMC Hong Kong agreed to transfer 34.01% of the equity interest of Qingdao Reefer to CIMC Vehicle Investment for a consideration of RMB88,826,478;

(j) a cornerstone investment agreement dated June 20, 2019, entered into among our Company, SAIC Motor HK Investment Limited ("SAIC HK"), Haitong International Capital Limited and Haitong International Securities Company Limited, pursuant to which SAIC HK has agreed to subscribe for such number of H Shares which may be purchased in the amount of US$50,000,000 divided by the Offer Price, rounded down to the nearest whole board lot of 500 H Shares;

(k) a cornerstone investment agreement dated June 21, 2019, entered into among our Company, Hong Kong Tiancheng Investment & Trading Co. Limited ("Tiancheng Investment"), Haitong International Capital Limited, Haitong International Securities Company Limited, and ICBC International Capital Limited, pursuant to which Tiancheng Investment has agreed to subscribe for such number of H Shares which may be purchased in the amount of US$35,000,000 divided by the Offer Price, rounded down to the nearest whole board lot of 500 H Shares; and

(l) The Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

(a) Patents

As of the Latest Practicable Date, our Group has the following patents which are considered by us to be or may be material to our business:

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
1	CIMC Luoyang	Invention patent	Assembly welding fixture and welding process for tank body and stirring blades of concrete mixer truck (混凝土攪拌車罐體與攪拌葉片的組裝焊接工裝以及焊接工藝)	2012101078521	April 13, 2012	October 8, 2014
2	CIMC Luoyang	Invention patent	Dual-horizontal-auger conveying tank for transporting bulk feed or grain (一種運輸散裝飼料或糧食的雙水平絞龍輸送罐)	2015103869526	July 6, 2015	July 25, 2017
3	CIMC Luoyang	Invention patent	Powder and particle material transporting tank with fluctuating-type material collection layer (一種帶有起複式導料層的粉粒物料運輸罐)	2016100574984	January 28, 2016	November 24, 2017
4	CIMC Jiangmen	Invention patent	Way of transportation (運輸方法)	2007101411472	August 8, 2007	April 20, 2011
5	CIMC Shenzhen	Invention patent	Semi-trailer girder structure and welding process thereof (一種半掛車大梁焊接工藝)	2013101266008	April 12, 2013	May 27, 2015
6	CIMC Vehicles and Qingdao Special Vehicle	Invention patent	Automobile body structure (一種汽車車身結構)	2009101063948	April 3, 2009	November 23, 2011
7	CIMC Vehicles and Qingdao Special Vehicle	Invention patent	Trailer body (一種掛車車身)	2009101061618	March 23, 2009	January 25, 2012
8	CIMC Vehicles, Qingdao Special Vehicle and Qingdao Container	Invention patent	Semi-trailer suspension, semi-trailer and assembly method (半掛車懸掛、半掛車及其裝配方法)	2010102127899	June 12, 2010	May 7, 2014

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
9	CIMC Dongyue	Invention patent	Comprehensive pneumatic test stand for vehicle-mounted steel tank (車載鋼罐體氣壓綜合試驗台)	2010105566864	November 24, 2010	November 7, 2012
10	CIMC Gansu	Invention patent	Transport trailer (一種運輸掛車)	2009102441737	December 30, 2009	May 8, 2013
11	CIMC Gansu	Invention patent	Steering mechanism and full trailer with the mechanism (轉向機構及具有該轉向機構的全掛車)	2009101731751	September 14, 2009	May 8, 2013
12	Qingdao Special Vehicle	Invention patent	Side beam of truck and truck (一種貨車的邊梁以及貨車)	201610257538X	April 22, 2016	May 18, 2018
13	CIMC Yangzhou, Nittsu Shoji Co., Ltd. and Morgan Limited (摩根有限公司)	Invention patent	Air shock absorber rack (氣囊式減震墊架)	2006101436140	November 2, 2006	March 23, 2011
14	CIMC Yangzhou	Invention patent	Novel suspension system structure of trailer (一種新型的掛車懸掛系統結構)	2015101688117	April 10, 2015	January 25, 2017
15	CIMC Yangzhou	Invention patent	Insulated milk tank truck (一種保溫牛奶運輸罐車)	2015101702665	April 10, 2015	August 25, 2018
16	CIMC Yangzhou	Invention patent	Van trailer and van body (廂式車及其車廂體)	2014103711594	July 30, 2014	September 11, 2018
17	CIMC Vehicles and Huajun Vehicle	Invention patent	Dump truck and carriage (自卸車及其車廂)	2011102633749	September 7, 2011	October 21, 2015
18	CIMC Vehicles and Huajun Vehicle	Invention patent	Van trailer and its built-in lock mechanism (廂式車及其箱體的暗鎖機構)	2011102003481	July 18, 2011	September 30, 2015
19	CIMC Vehicles and Huajun Foundry	Invention patent	Pouring cup manufacture process (澆口杯製作工藝)	2011101195997	May 10, 2011	February 11, 2015
20	CIMC Vehicles	Invention patent	Detachable flatbed trailer (可拆裝式平板車)	2011100287332	January 27, 2011	August 20, 2014
21	CIMC Yangzhou and CIMC Vehicles	Invention patent	Derrick transporting trailer (一種井架運輸拖車)	2014103190915	July 4, 2014	October 20, 2017
22	Qingdao Special Vehicle and CIMC Vehicles	Invention patent	Bulk cargo transportation equipment (散貨運輸設備)	2015102786225	May 27, 2015	September 11, 2018

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
23	CIMC Dongyue	Invention patent	Hydraulic tipping gear of frame (車架聯動液壓翻轉裝置)	2015107282785	October 30, 2015	December 5, 2017
24	CIMC Liaoning	Invention patent	Top cover of dump truck and the dump truck (自卸車頂蓋及自卸車)	2010101172632	February 12, 2010	January 2, 2013
25	CIMC Liaoning	Invention patent	Longitudinal beam of gooseneck semi-trailer and the semi-trailer (鵝頸式半掛車縱梁及半掛車)	2010101317720	March 16, 2010	December 26, 2012
26	CIMC Liaoning	Invention patent	Road de-icing equipment (一種道路除冰機)	2012101968754	June 14, 2012	June 25, 2014
27	CIMC Dongguan	Invention patent	Component turnover device (一種構件翻轉裝置)	2008100653040	January 31, 2008	August 3, 2011
28	CIMC Vehicles	Invention patent	Semi-trailer with dismountable container (一種可拆卸式集裝箱運輸半掛車)	2005101019472	November 30, 2005	August 19, 2009
29	CIMC Vehicles	Invention patent	Frame of container chassis semi-trailer (骨架式集裝箱半掛車車架)	2008101336828	July 18, 2008	January 26, 2011
30	CIMC Vehicles	Invention patent	Sectional-type main beam and semi-trailer underframe with the beam (分段式主梁及具有該主梁的半掛車底架)	2009101709739	August 31, 2009	October 17, 2012
31	CIMC Vehicles	Invention patent	Lock pin mechanism of transportation semi-trailer (運輸半掛車的鎖銷機構)	2009102092276	November 2, 2009	May 23, 2012
32	CIMC Vehicles	Invention patent	Detachable chassis trailer (可拆裝式骨架車)	2011100285958	January 27, 2011	August 26, 2015
33	CIMC Vehicles	Invention patent	Chassis trailer and front-end beam (骨架車及其前端梁)	2011100287313	January 27, 2011	August 6, 2014
34	CIMC Vehicles	Invention patent	Detachable chassis trailer (可拆裝式骨架車)	2011100287205	January 27, 2011	August 26, 2015

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
35	CIMC Dongguan	Invention patent	Semi-trailer and semi-trailer traction device (半掛車及半掛車牽引裝置)	2008100046137	January 21, 2008	December 8, 2010
36	CIMC Vehicles and CIMC Yangzhou	Invention patent	Full trailer (全掛車)	200810188600X	December 25, 2008	January 11, 2012
37	CIMC Vehicles and CIMC Yangzhou	Invention patent	Hydraulic cylinder device (液壓缸裝置)	2009101298695	March 30, 2009	September 19, 2012
38	CIMC Vehicles and CIMC Yangzhou	Invention patent	Cargo carrying platform and commercial vehicle transportation truck with the platform (載貨台及具有該載貨台的商品車運輸車)	2009101704646	August 26, 2009	August 28, 2013
39	CIMC Vehicles and CIMC Yangzhou	Invention patent	Tank body of tipping tank truck and tipping tank truck with the tank body (舉升式罐車的罐體及安裝有該罐體的舉升式罐車)	2010101053898	January 26, 2010	January 9, 2013
40	CIMC Vehicles and CIMC Yangzhou	Invention patent	Fire-extinguisher box and special-purpose vehicle with fire-extinguisher box (滅火器箱及具有該滅火器箱的專用車)	2010101054316	January 26, 2010	January 2, 2013
41	CIMC Vehicles and CIMC Yangzhou	Invention patent	Accelerating device and concrete mixer truck with the device (油門加速裝置及安裝有該油門加速裝置的混凝土攪拌運輸車)	201010121778X	February 11, 2010	July 10, 2013
42	CIMC Vehicles and CIMC Yangzhou	Invention patent	Semi-trailer log transporter (半掛式原木運輸車)	2010101220640	February 11, 2010	December 12, 2012
43	CIMC Vehicles and CIMC Yangzhou	Invention patent	Intelligent unloading system, multi-silo tank container and multi-silo tank truck (智能卸料系統、多料倉罐箱及多料倉罐車)	2010101677251	April 22, 2010	April 17, 2013
44	CIMC Vehicles and CIMC Yangzhou	Invention patent	Device for fixing automobile license tag (用於車輛的牌照固定裝置)	2005101268742	November 24, 2005	December 23, 2009

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
45	CIMC Dongyue	Invention patent	Chassis trailer frame assembly jig (一種骨架車車架拼裝台)	2016101477801	March 16, 2016	April 19, 2017
46	CIMC Vehicles	Invention patent	Exchange box and its box plate structure (交換箱體及其箱板結構)	2014108560069	December 31, 2014	July 31, 2018
47	CIMC Vehicles	Invention patent	Transporting box (運輸箱)	2014108565912	December 31, 2014	September 7, 2018
48	CIMC Vehicles	Invention patent	Pure electric tractor and vehicle suitable for transportation in the field (純電動牽引車及適用於場內運輸的車輛)	2013103758079	August 26, 2013	September 7, 2018
49	CIMC Vehicles and Huajun Foundry	Invention patent	Method for manufacturing ductile iron hub (一種製造球鐵輪轂的方法)	201210075672X	March 21, 2012	May 4, 2016
50	CIMC Vehicles and CIMC Shenzhen	Invention patent	Six-bar mechanism of lifting device of dump truck (自卸車舉升裝置的六桿機構)	2011104151632	December 13, 2011	June 29, 2016
51	CIMC Vehicles and Huajun Foundry	Invention patent	Grinding device (打磨機)	2011103924629	December 1, 2011	December 14, 2016
52	CIMC Wuhu	Invention patent	Tungsten inert gas shielded welding process of 3mm-thickness steel plates (一種3mm厚鋼板材的鎢極惰性氣體保護焊焊接工藝)	2014106946731	November 27, 2014	September 7, 2016
53	CIMC Wuhu	Invention patent	Welding technology for steel plate (一種鋼板的焊接工藝)	2014106947503	November 27, 2014	November 30, 2016
54	CIMC Wuhu	Invention patent	Slag dump truck with built-in, power-driven, horizontal-sliding and environment-friendly top cover system (一種安裝了內置式平推電動環保頂蓋系統的渣土自卸車)	2013101852095	May 17, 2013	May 4, 2016

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
55	CIMC Wuhu	Invention patent	Anti-deformation process for welding the base plate of dump truck with embedded front lift (一種前頂內嵌式自卸車底板焊接反變形工藝)	201210324060X	September 4, 2012	September 10, 2014
56	CIMC Wuhu	Invention patent	Method for manufacturing integral-type splash board support of concrete mixer truck (一種攪拌車整體式擋泥板支撐製作方法)	2011103781199	November 24, 2011	January 15, 2014
57	Huajun Vehicle and CIMC Vehicles	Invention patent	Semi-trailer (半掛車)	2012102053131	June 20, 2012	December 21, 2016
58	CIMC Vehicles	Invention patent	Connecting structure of the cross beam of supporting leg and semi-trailer with the structure (支腿橫梁的連接結構及採用該連接結構的半掛車)	2012104639890	November 16, 2012	March 8, 2017
59	CIMC Vehicles	Invention patent	Semi-trailer and connecting structure of its supporting leg (半掛車及其支腿連接結構)	201410107981X	March 21, 2014	September 15, 2017
60	CIMC Vehicles	Invention patent	Transporting box (運輸箱)	2014108548620	December 31, 2014	July 20, 2018
61	CIMC Yangzhou	Invention patent	Van trailer and van body (廂式車及其車廂體)	2014103711861	July 30, 2014	February 27, 2018
62	CIMC Yangzhou and CIMC Vehicles	Invention patent	Powder and particle material transportation vehicle and its storage tank (粉粒物料運輸車及其儲料罐)	2015100869628	February 25, 2015	July 20, 2018
63	Vanguard National Trailer	Invention patent	Sheet and post container sidewall construction	US6959959B1	October 25, 2004	November 1, 2005
64	Vanguard National Trailer	Invention patent	Composite panel trailer sidewall construction	US7152912B1	August 23, 2005	December 26, 2006
65	Vanguard National Trailer	Invention patent	Trailer with aerodynamic rear door	US7699382B2	May 5, 2008	April 20, 2010

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
66	Vanguard National Trailer	Invention patent	Composite panel trailer sidewall with additional logistics slots	US7704026B2	November 16, 2005	April 27, 2010
67	Vanguard National Trailer	Invention patent	Method for creating cargo container with U-shaped panels	US7748099B2	July 17, 2008	July 6, 2010
68	Vanguard National Trailer	Invention patent	Crash attenuating underride guard	US7780224B2	June 9, 2008	August 24, 2010
69	Vanguard National Trailer	Invention patent	Trailer keel	US7789453B2	May 29, 2008	September 7, 2010
70	Vanguard National Trailer	Invention patent	Cargo tube	US7914034B2	May 16, 2008	March 29, 2011
71	Vanguard National Trailer	Invention patent	Converter dolly backup device	US7946606B2	August 1, 2008	May 24, 2011
72	Vanguard National Trailer	Invention patent	Container sidewall connector	US8016152B2	July 27, 2007	September 13, 2011
73	Vanguard National Trailer	Invention patent	Container sidewall connector	US8534479B2	March 16, 2011	September 17, 2013
74	Vanguard National Trailer	Invention patent	Container sidewall connector	US8540099B2	December 6, 2011	September 24, 2013
75	Vanguard National Trailer	Invention patent	Connector between nonmetallic scuff and lining	US8657363B1	August 30, 2012	February 25, 2014
76	Vanguard National Trailer	Invention patent	Trailer roof with removable panels	US8888165B2	February 25, 2013	November 18, 2014
77	Vanguard National Trailer	Invention patent	Trailer sail	US9296433B2	January 14, 2014	March 29, 2016
78	Vanguard National Trailer	Invention patent	Retractable Rear Fairing	US9555841B1	October 26, 2015	January 31, 2017
79	Qingdao Eco-Equipment and CIMC Vehicles	Utility model	Compression garbage truck and its sewage collection device (壓縮式垃圾車及其污水收集裝置)	2011203631178	September 26, 2011	June 27, 2012
80	CIMC Jiangmen	Utility model	Liquid tank trailers and its two-sectional tank structure (液罐車及其二節筒罐體結構)	2013207448734	November 21, 2013	April 16, 2014
81	CIMC Jiangmen	Utility model	Mixer truck and device for lifting its discharge chute (攪拌運輸車及用以驅動其卸料槽升降的升降裝置)	2014202754244	May 27, 2014	October 29, 2014
82	CIMC Jiangmen	Utility model	Liquid tank and liquid tank trailer (液體罐及液罐車)	2015205367534	July 22, 2015	December 2, 2015

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
83	CIMC Jiangmen	Utility model	Tank trailer (罐式半掛車)	2015207218233	September 17, 2015	February 3, 2016
84	CIMC Jiangmen	Utility model	Tank trailer, tank body and protector (罐車及其罐體、護肩)	2017210301324	August 16, 2017	March 9, 2018
85	Qingdao Special Vehicle	Utility model	Longitudinal beam of trailer and trailer (一種掛車縱梁以及掛車)	2013208410077	December 19, 2013	July 16, 2014
86	Qingdao Special Vehicle	Utility model	Fabricated semi-trailer frame and semi-trailer (一種裝配式半掛車車架以及半掛車)	2016203477750	April 22, 2016	October 12, 2016
87	CIMC Vehicles	Utility model	Frame of gooseneck semi-trailer and gooseneck semi-trailer (鵝頸式半掛車車架以及鵝頸式半掛車)	2011200563889	March 4, 2011	August 31, 2011
88	CIMC Vehicles	Utility model	Chassis trailer lock and chassis trailer (骨架車鎖具及骨架車)	2011201996098	June 14, 2011	March 14, 2012
89	Qingdao Special Vehicle	Utility model	Fabricated semi-trailer frame, semi-trailer and assembly method (一種裝配式半掛車車架、半掛車以及裝配方法)	2016102574724	April 22, 2016	May 1, 2018
90	CIMC Wuhu	Utility model	Secure operating system of fuel tank trailer (油罐車安全操作系統)	2017217694432	December 18, 2017	July 24, 2018
91	CIMC Yangzhou and CIMC Vehicles	Utility model	Lifting gear of double-deck car carrier trailer and double-deck car carrier trailer (雙層車輛運輸車的升降裝置及雙層車輛運輸車)	2017212908736	September 30, 2017	May 8, 2018
92	CIMC Yangzhou and CIMC Vehicles	Utility model	Run-flat support device (防爆胎支撐裝置)	2016209283388	August 23, 2016	March 22, 2017
93	CIMC Dongguan	Utility model	Positioning structure for longitudinal beam of auxiliary frame (副車架縱梁定位結構)	2017210402170	August 18, 2017	February 23, 2018

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
94	CIMC Dongguan	Utility model	Fixture for controlling welding deformation of front-end beam (用於控制前端梁焊接變形的工裝)	2017210490932	August 18, 2017	February 23, 2018
95	CIMC Dongguan	Utility model	Self-positioning beam of frame (一種車架自定位保險槓)	2017210491507	August 18, 2017	February 27, 2018
96	CIMC Vehicles and CIMC Yangzhou	Utility model	Door of aluminum alloy stake trailer and the trailer (鋁合金倉柵運輸車的箱門及其運輸車)	2010201478130	March 22, 2010	April 13, 2011
97	CIMC Vehicles and CIMC Yangzhou	Utility model	Water pipe joint for concrete mixer truck and the concrete mixer truck (混凝土攪拌運輸車用水管接頭及其運輸車)	2010201478272	March 22, 2010	November 24, 2010
98	CIMC Vehicles and CIMC Yangzhou	Utility model	Hinge device for wing opening van trailer (翼開啟廂式車用鉸鏈裝置)	2010201587570	March 23, 2010	December 22, 2010
99	CIMC Dongyue	Utility model	Novel auto-alarm truck lock (新型自動報警式貨車鎖具)	2015208778139	November 5, 2015	March 16, 2016
100	CIMC Dongguan	Utility model	Chassis semi-trailer (骨架半掛車)	2017207020363	June 15, 2017	December 22, 2017
101	CIMC Dongguan	Utility model	Van trailer and its van (廂式車及其廂體)	2017207020397	June 15, 2017	December 22, 2017
102	CIMC Yangzhou	Utility model	Novel suspension system structure of trailer (一種新型的掛車懸掛系統結構)	2015202173842	April 10, 2015	August 5, 2015
103	CIMC Yangzhou	Utility model	Fuselage carrier (一種飛機機身運輸車)	2015202172869	April 10, 2015	August 5, 2015
104	CIMC Vehicles	Utility model	Transportation vehicle and side protection device (運輸車及其側面防護裝置)	2009201667267	August 12, 2009	April 21, 2010
105	CIMC Vehicles	Utility model	Side curtain tensioner and curtain-side trailer with the device (側簾張緊器及具有該側簾張緊器的側簾半掛車)	200920174712X	August 28, 2009	May 26, 2010

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
106	CIMC Jiangmen	Utility model	Liquid tank trailer and its rear bumper (液罐車及其後保險槓)	2013205948694	September 25, 2013	March 19, 2014
107	Huajun Vehicle	Invention patent	Abnormal braking warning device of semi-trailer (半掛車非正常制動報警裝置)	201410501138X	September 26, 2014	June 16, 2017
108	Huajun Vehicle	Utility model	Gooseneck structure of semi-trailer and semi-trailer with gooseneck structure (半掛車鵝頸結構及具有該鵝頸結構的半掛車)	2014205585178	September 26, 2014	February 18, 2015
109	CIMC Vehicles	Utility model	Top plate of exchange box and exchange box (交換箱體的門框和交換箱體)	2014208706066	December 31, 2014	June 3, 2015
110	Huajun Vehicle and CIMC Vehicles	Utility model	Dump truck frame and dump truck (自卸車車架及自卸車)	2014205731456	September 30, 2014	February 4, 2015
111	Huajun Vehicle and CIMC Vehicles	Utility model	Trailer and pneumatic system for braking (掛車及其制動氣路系統)	2014208237561	December 22, 2014	May 13, 2015
112	Huajun Vehicle	Utility model	Dump truck, and its carriage and frame (自卸車及其車廂和車架)	2015206799520	September 6, 2015	December 30, 2015
113	Huajun Vehicle	Utility model	Trailer loading platform and lowboy trailer with the platform (掛車貨台及設有該掛車貨台的低平板半掛車)	2016206331708	June 22, 2016	November 23, 2016
114	Huajun Vehicle	Utility model	Dump truck frame and dump truck with the frame (自卸半掛車車架以及安裝該車架的自卸半掛車)	2016214724056	December 30, 2016	July 7, 2017
115	Huajun Vehicle	Utility model	Top cover and dump truck with the cover (全覆蓋頂蓋及具有該頂蓋的自卸車)	2016209243179	August 23, 2016	February 15, 2017
116	CIMC Yangzhou	Utility model	Trailer and its suspension system (掛車及其懸掛系統)	2016213629872	December 12, 2016	December 29, 2017

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
117	CIMC Shenzhen	Utility model	Semi-trailer frame structure for which cathode electro-coating can be used (可用陰極電泳塗裝的半掛車車架結構)	2017203424086	April 1, 2017	February 16, 2018
118	CIMC Luoyang	Design	Tank body (multi-cone and vertical) (罐體(多錐立式))	2013305722513	November 25, 2013	April 9, 2014
119	CIMC Jiangmen	Design	Liquid tank trailer (液罐車)	2015303172081	August 21, 2015	February 10, 2016
120	CIMC Yangzhou	Design	Chemical liquid transportation semi-trailer (with cone tank) (化工液體運輸半掛車(錐形罐))	2014305391727	December 19, 2014	August 5, 2015
121	CIMC Yangzhou	Design	Tipping tank trailer for powder and particle material transportation (舉升式氣力卸料粉粒物料罐式運輸半掛車)	2015300471293	February 15, 2015	August 5, 2015
122	CIMC Yangzhou	Design	Concrete mixer semi-trailer (混凝土攪拌運輸半掛車)	2015300471306	February 15, 2015	August 5, 2015
123	CIMC Yangzhou	Design	Aluminum oxide tank trailer (氧化鋁運輸罐式半掛車)	2015300471096	February 15, 2015	September 2, 2015

(b) Trademarks

(i) Trademarks of our Group

As of the Latest Practicable Date, the following trademarks have been registered in the name of the relevant members of our Group which are considered by us to be or may be material to our business:

No.	Trademark Registrant	Trademark	Registration Number	Class	Valid Period
1	CIMC Yangzhou	TSU	3611661	12	January 28, 2015 to January 27, 2025
2	CIMC Yangzhou	集 通	3606347	12	January 21, 2015 to January 20, 2025

No.	Trademark Registrant	Trademark	Registration Number	Class	Valid Period
3	CIMC Yangzhou	SHUTSU	3606346	12	January 21, 2015 to January 20, 2025
4	CIMC Yangzhou		1515247	12	January 28, 2011 to January 27, 2021
5	CIMC Yangzhou		1207583	12	September 14, 2018 to September 13, 2028
6	CIMC Wuhu	RJST	16685484	12	May 28, 2016 to May 27, 2026
7	CIMC Wuhu		12886326	12	March 21, 2016 to March 20, 2026
8	CIMC Wuhu	RJST	10894400	12	August 14, 2013 to August 13, 2023
9	CIMC Wuhu	瑞江	3335824	12	September 28, 2013 to September 27, 2023
10	CIMC Wuhu	RUIJIANG	3335823	12	September 28, 2013 to September 27, 2023
11	CIMC Wuhu		3335822	12	September 28, 2013 to September 27, 2023
12	Huajun Vehicle	华骏悦心服务	13911681	12	July 28, 2015 to July 27, 2025
13	Huajun Vehicle		12895591	12	December 7, 2014 to December 6, 2024
14	Huajun Vehicle	HJ	12783290	12	November 28, 2014 to November 27, 2024
15	Huajun Vehicle	HJ 中集华骏铸造 CIMC HJ CASTING	12783178	12	January 28, 2015 to January 27, 2025
16	Huajun Vehicle	HJHJ	11520589	12	February 21, 2014 to February 20, 2024
17	Huajun Vehicle	中集华骏	7016477	12	June 14, 2010 to June 13, 2020

No.	Trademark Registrant	Trademark	Registration Number	Class	Valid Period
18	Huajun Vehicle	骏华 JUNHUA	5006935	12	March 21, 2009 to March 20, 2029
19	Huajun Vehicle	华骏 HUAJUN	5006934	12	March 21, 2009 to March 20, 2029

(ii) Trademarks licensed by CIMC Group

No.	Trademark	Registration Number	Class	Valid Period	Scope of licensing
1.	中集	6715300	12	2010/03/28-2030/03/27	Tank truck; aerial conveyer; boarding bridge; boats; motor home; truck; fork lift truck; refrigerated vehicles; vehicle bodies; cars
2.	CIMC	6715301	12	2010/03/28-2030/03/27	Truck; fork lift trucks; refrigerated vehicles; vehicle bodies; cars; tank truck; aerial conveyer; boarding bridge; boats; motor home
3.	CIMC	4540076	39	2018/09/28-2028/09/27	Transportation; commodity packaging; shipbroking; ship transport; automobile transportation; air transportation; parking lot; carting; storage; rental of diving suits; energy distribution; sluice operation management; courier services (messages or merchandise); travel agency (excluding hotel reservation); pipeline transportation
4.	CIMC 中集	4540065	12	2017/12/14-2027/12/13	Vehicles for locomotion by land, air, water or rail; cars; cycle cars; bicycle; bicycle and tricycle pumps; cable transport apparatus and installations; baby carriages; omnibuses; tires for vehicle wheels; outfit for repairing inner tubes; air vehicles; boats

No.	Trademark	Registration Number	Class	Valid Period	Scope of licensing
5.	CIMC 中集	4540050	37	2018/09/28-2028/09/27	Spraying service; retreading of tires; cabinet making (repair); burglar alarm installation and repair; disinfecting; building construction supervision; commodity house construction; quarrying; cleaning of buildings (interior); dry cleaning; electrical equipment installation and repair; vehicle maintenance and repair; airplane maintenance and repair; shipbuilding; photographic apparatus repair; clock and watch repair; safe maintenance and repair
6.	中集	3223952	12	2013/06/28-2023/06/27	Fork lift trucks; chassis; trailers (vehicles); tractors; cars for cable transport installations; vans (vehicles); trucks; vehicles for locomotion by land, air, water or rail; carriage hoist; transmissions for land vehicles
7.	CIMC	3082636	12	2013/03/14-2023/03/14	Fork lift trucks; chassis; trailers (vehicles); tractors; cars for cable transport installations; vans (vehicles); trucks; vehicles for locomotion by land, air, water or rail; carriage hoist; transmissions for land vehicles
8.	中集	1031587	37	2017/06/14-2027/06/13	Heating equipment installation and repair; freezing equipment installation and repair; machinery installation; maintenance and repair; motor vehicle maintenance and repair
9.	CIMC	1031563	37	2017/06/14-2027/06/13	Heating equipment installation and repair; freezing equipment installation and repair; machinery installation; maintenance and repair; motor vehicle maintenance and repair

The class number represents the specifications of products or services which have already been applied for or registered. Detailed specifications of the products or services represented by that class number are set out in the relevant application forms or registration certificates.

(c) Domain Name

As of the Latest Practicable Date, the following domain names have been registered in the name of the relevant members of our Group which are considered by us to be or may be material to our business:

No.	Domain Name	Registered Owner	Effective Period
1	zjcljm.cn	CIMC Jiangmen	November 14, 2016 to November 14, 2023
2	cimcjm.com	CIMC Jiangmen	November 25, 2016 to November 25, 2026
3	專用車.網址	CIMC Jiangmen	November 25, 2016 to November 25, 2026
4	中集車輛.網址	CIMC Jiangmen	November 25, 2016 to November 25, 2026
5	液罐車.網址	CIMC Jiangmen	December 30, 2016 to December 30, 2026
6	廂式車.網址	CIMC Jiangmen	December 30, 2016 to December 30, 2026
7	鋁合金罐車.網址	CIMC Jiangmen	December 30, 2016 to December 30, 2026
8	攪拌車.網址	CIMC Jiangmen	December 30, 2016 to December 30, 2026
9	中集江門.網址	CIMC Jiangmen	November 25, 2016 to November 25, 2026
10	粉罐車.網址	CIMC Jiangmen	December 30, 2016 to December 30, 2026
11	chinatrailer.com	CIMC Yangzhou	November 21, 2011 to February 9, 2025
12	lingyu.com	CIMC Luoyang	February 24, 2004 to February 24, 2022
13	whrjqc.net	CIMC Wuhu	July 3, 2014 to July 3, 2028
14	whrjqc.cn	CIMC Wuhu	July 3, 2014 to July 3, 2028
15	whrjst.com	CIMC Wuhu	April 29, 2015 to April 29, 2020
16	cimc-whrj.com	CIMC Wuhu	October 17, 2007 to October 17, 2020
17	cimc-rjst.com	CIMC Wuhu	May 22, 2015 to May 22, 2020
18	cimc-rjff.com	CIMC Wuhu	August 23, 2016 to August 23, 2026
19	rjoa.net	CIMC Wuhu	July 12, 2014 to July 12, 2028
20	xacimc.com	CIMC-SHAC	March 4, 2010 to March 4, 2023
21	cimcreefertrailer.com	Qingdao Reefer	August 17, 2016 to August 17, 2026
22	qdcimctrailer.com	Qingdao Special Vehicle	December 16, 2011 to December 16, 2023
23	cimctrailer.net	Qingdao Special Vehicle	January 2, 2014 to January 2, 2024
24	hjcl.com	Huajun Vehicle	May 20, 2002 to May 20, 2020
25	hjcl.com.cn	Huajun Vehicle	September 9, 2003 to September 9, 2020
26	hjcl.cn	Huajun Vehicle	September 9, 2003 to September 9, 2020
27	中集華駿.com	Huajun Vehicle	December 3, 2018 to December 3, 2019
28	cimcvehiclesgroup.com	CIMC Vehicles	November 28, 2016 to November 28, 2020
29	中集車輛.com	CIMC Vehicles	November 25, 2016 to November 25, 2020
30	www.sdctrailers.com	SDC Trailers	November 16, 1998 to November 15, 2023
31	www.lag.eu	LAG Trailers	May 27, 2019 to May 26, 2021
32	lag.be	LAG Trailers	May 22, 2019 to May 21, 2020
33	lagtrailers.eu	LAG Trailers	October 7, 2018 to October 6, 2020
34	burg.pl	LAG Trailers	December 16, 2018 to December 16, 2019
35	lagservice.eu	LAG Trailers	May 31, 2016 to May 31, 2021

For the above domain names which will be expired in 2019, the relevant companies will apply for renewal prior to the expiration of the effective period.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Each of our executive Directors and independent non-executive Directors entered into a service contract with our Company on April 1, 2019. The principal particulars of these service contracts comprise (i) a term of three years commencing from the Listing Date, and (ii) termination provisions in accordance with their respective terms. The service contract may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors entered into a contract with our Company on April 1, 2019 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any of our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

B. Directors' and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management – Remuneration of Directors and Supervisors" and under Note 10 to the financial information in the Accountant's Report set out in Appendix I, no Director or Supervisor received any other fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the year ended December 31, 2016, 2017 and 2018.

It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any discretionary bonus) in an amount of approximately RMB2.6 million will be payable by our Company to our Directors and Supervisors for the year ended December 31, 2019 for their services as our Directors and Supervisors.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration of benefits in kind during the Track Record Period.

4. DISCLOSURE OF INTERESTS

A. Substantial Shareholders

For information on the persons (other than our Directors, Supervisors and chief executive of our Company) who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see below:

			As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)		
Name of Substantial Shareholder	Nature of Interest	Class of Shares to be held after the Global Offering	Number of Shares	Approximate percentage in the total issued Share capital of our Company	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued Share capital of our Company
CIMC	Beneficial interest	Domestic Shares	664,950,000	44.33%	664,950,000	55.36%	37.67%
	Interest in controlled corporation(1)	H Shares	284,985,000	19.00%	284,985,000	50.54%	16.15%

Name of Substantial Shareholder	Nature of Interest	Class of Shares to be held after the Global Offering	As of the Latest Practicable Date: Number of Shares	As of the Latest Practicable Date: Approximate percentage in the total issued Share capital of our Company	Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised): Number of Shares	Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised): Approximate percentage of shareholding in the relevant class of Shares	Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised): Approximate percentage of shareholding in the total issued Share capital of our Company
Ping An Decheng	Interest in controlled corporation(2)	Domestic Shares	413,932,500	27.59%	413,932,500	34.46%	23.45%
Ping An Financial	Interest in controlled corporation(2)	Domestic Shares	413,932,500	27.59%	413,932,500	34.46%	23.45%
Ping An Group	Interest in controlled corporation(2)	Domestic Shares	413,932,500	27.59%	413,932,500	34.46%	23.45%
CIMC Hong Kong	Beneficial interest(1)	H Shares	284,985,000	19.00%	284,985,000	50.54%	16.15%
Shanghai Taifu	Beneficial interest	Domestic Shares	252,330,000	16.82%	252,330,000	21.01%	14.30%
Chi Xiao	Interest in controlled corporation(3)	Domestic Shares	252,330,000	16.82%	252,330,000	21.01%	14.30%
Nanshan Group	Interest in controlled corporation(3)	Domestic Shares	252,330,000	16.82%	252,330,000	21.01%	14.30%
Taizhou Taifu	Beneficial interest	Domestic Shares	161,602,500	10.77%	161,602,500	13.45%	9.16%
Ping An Life Insurance	Interest in controlled corporation(4)	Domestic Shares	161,602,500	10.77%	161,602,500	13.45%	9.16%
Ping An Health Partnership	Interest in controlled corporation(4)	Domestic Shares	161,602,500	10.77%	161,602,500	13.45%	9.16%
Mr. Li Guiping	Interest in controlled corporation(3)	Domestic Shares	99,037,500	6.60%	99,037,500	8.25%	5.61%
Xiangshan Huajin	Beneficial interest	Domestic Shares	75,877,500	5.06%	75,877,500	6.32%	4.30%

Notes:

(1) CIMC Hong Kong is a wholly owned subsidiary of CIMC and therefore CIMC is deemed to be interested in our H Shares held by CIMC Hong Kong.

(2) Ping An Decheng is the general partner of Shanghai Taifu and Taizhou Taifu and therefore it is deemed to be interested in our Domestic Shares held by Shanghai Taifu and Taizhou Taifu. Ping An Decheng is wholly owned by Ping An Financial which is ultimately controlled by Ping An Group and therefore both Ping An Financial and Ping An Group are deemed to be interested in our Domestic Shares held by Shanghai Taifu and Taizhou Taifu.

(3) Chi Xiao is a limited partner of Shanghai Taifu which holds 39.63% of its interests and therefore it is deemed to be interested in our Domestic Shares held by Shanghai Taifu. Chi Xiao is wholly owned by Nanshan Group therefore Nanshan Group is also deemed to be interested in our Domestic Shares held by Shanghai Taifu.

(4) Both Ping An Life Insurance and Ping An Health Partnership are limited partners of Taizhou Taifu which holds 47.62% and 38.33% of its interests, respectively, therefore both of them are deemed to be interested in our Domestic Shares held by Taizhou Taifu.

(5) Mr. Li Guiping, our executive Director, chief executive officer and president, is deemed to be interested in 75,877,500 Domestic Shares held by Xiangshan Huajin as Mr. Li is interested in 47.37% of Shenzhen Longhui, which is the general partner of Xiangshan Huajin. Mr. Li is also deemed to be interested in the 23,160,000 Domestic Shares held by Shenzhen Longyuan as Mr. Li is interested in 80% of the equity interest in Longyuan Investment, which is the general partner of Shenzhen Longyuan.

Save as disclosed above, our Directors, Supervisors, and chief executives are not aware of any person, not being a Director, Supervisor, and chief executive of our Company, who has an interest or short position in the shares and underlying shares of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

B. Directors, Supervisors or Chief Executive

Save as disclosed above in "– 4. Disclosure of Interests – A. Substantial Shareholders" in this section, immediately following completion of the Global Offering (and assuming the Over-allotment Option is not exercised), none of the Directors, Supervisors or chief executive of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have, or are deemed to have, been taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have, or are deemed to have, been taken under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in our Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange;

(c) none of our Directors or Supervisors nor any of the parties listed in "– 5. Other Information – G. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(d) none of our Directors or Supervisors nor any of the parties listed in "– 5. Other Information – G. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(e) none of the parties listed in the paragraph headed "– 5. Other Information – G. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(f) none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

5. OTHER INFORMATION

A. Estate Duty

We have been advised that no material liability for estate duty under the PRC law is likely to fall upon our Company or any members of our Group.

B. Litigation

As of the Latest Practicable Date, save as disclosed in "Business – Legal Proceedings and Compliance", we are not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any members of our Group.

C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee for listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and (ii) any H Shares to be converted from the Unlisted Foreign Shares. All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay a total amount of HK$6 million to the Sole Sponsor to act as the sponsor to our Company in the Global Offering.

D. Compliance Advisor

We have appointed Haitong International Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

Our estimated preliminary expenses are approximately RMB2 million and are payable by us.

F. Promoters

The promoters of our Company are CIMC, CIMC Hong Kong, Shanghai Taifu, Taizhou Taifu, Shenzhen Longyuan, Nanshan Dacheng, Xiangshan Huajin and Sumitomo Corporation. For details of our promoters, see "History, Conversion and Corporate Structure".

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other interest have been paid, allotted or given to the above promoters in connection with the Global Offering or related transactions in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in this prospectus, are as follows:

Name	Qualification
Haitong International Capital Limited	Type 6 (advising on Corporate Finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants
Shu Jin Law Firm	PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Cushman & Wakefield Limited	Property Valuer

H. Consents of Experts

Each of the experts as referred to in "– 5. Other Information – G. Qualification of Experts" of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this prospectus with the inclusion of its reports and/or letter(s) and/or opinion(s) and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any members of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. Taxation of Holders of our H Shares

The sale, purchase and transfer of our H shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of our H shares being sold or transferred. For further information in relation to taxation, see "Appendix IV – Taxation and Foreign Exchange" in this prospectus.

J. No Material Adverse Change

Our Directors confirm that, after performing all due diligence work, there has been no material adverse change in our financial or operational position since December 31, 2018 and up to the Latest Practicable Date.

K. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Within the two years immediately preceding the date of this prospectus, we have entered into the related party transactions as described in Note 39 to the financial information in the Accountant's Report set out in Appendix I.

M. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any members of our Group within the two years preceding the date of this prospectus.

N. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(f) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(j) we currently do not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of **WHITE**, **YELLOW**, **GREEN** and **BLUE** application forms;

(b) the written consents referred to under the paragraph headed "Statutory and General Information – 5. Other Information – H. Consents of experts" in Appendix VII to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our office of Clifford Chance at Hong Kong at 27th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2016, 2017 and 2018;

(d) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(e) the PRC legal opinions issued by Shu Jin Law Firm, our legal advisors on PRC law, in respect of the general matters and property interests of our Group;

(f) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation;

(g) the written consents referred to under the paragraph headed "Statutory and General Information – 5. Other Information – H. Consents of experts" in Appendix VII to this prospectus;

(h) the material contracts referred to in "Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts" in Appendix VII to this prospectus;

(i) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information – 3. Further Information about our Directors and Supervisors – A. Particulars of Directors' and Supervisor's Contracts" in Appendix VII to this prospectus;

(j) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this prospectus; and

(k) the valuation report relating to certain property interest of our Company prepared by Cushman & Wakefield, the text of which is set out in Appendix III to this prospectus.

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