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CIMC Vehicles (Group) Co., Ltd.

中集車輛(集團)股份有限公司

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

(Stock Code: 1839)

ANNOUNCEMENT CHANGE IN USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the prospectus issued by CIMC Vehicles (Group) Co., Ltd. (the “**Company**”) dated 27 June 2019 (the “**Prospectus**”), in relation to the Global Offering of the Company’s H shares and the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Global Offering**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF THE NET PROCEEDS

After deducting underwriting fees and expenses in relation to the Global Offering, the net proceeds from the Global Offering is approximately HK\$1,575.2 million. As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the net proceeds from the Global Offering for the following purposes:

- approximately 70% of the net proceeds (HK\$1,102.7 million), to develop new manufacturing or assembly plants in the US and Europe, of which:
 - approximately 25% (HK\$275.8 million), will be used to develop a new assembly plant for high-end refrigerated trailers in the southern US;
 - approximately 20% (HK\$220.5 million), will be used to develop a new automated production facility for chassis trailers in the coastline regions along the eastern or southern US;
 - approximately 20% (HK\$220.5 million), will be used to develop a new assembly plant for high-end refrigerated trailers in the UK or Poland;
 - approximately 15% (HK\$165.4 million), will be used to develop a new automated production facility for refrigerated trailers in Monon, the US;

- approximately 15% (HK\$165.4 million), will be used to develop a new assembly plant for curtain-side trailers in the Midlands region of the UK; and
- approximately 5% (HK\$55.1 million), will be used to develop a new assembly plant for swap bodies in the Netherlands.
- approximately 10% of the net proceeds (HK\$157.5 million), to research and develop new products, of which:
 - approximately 40% (HK\$63.0 million), will be used to develop high-end refrigerated trailers;
 - approximately 20% (HK\$31.5 million), will be used to develop other smart trailers;
 - approximately 20% (HK\$31.5 million), will be invested in product standardization, unit weight reduction and modulization in our European and US plants; and
 - approximately 20% (HK\$31.5 million), will be used to develop other trailer products.
- approximately 10% of the net proceeds (HK\$157.5 million), to repay the principal amount and interests of bank borrowings.
- approximately 10% of the net proceeds (HK\$157.5 million), for working capital and general corporate purposes.

CHANGE IN USE OF THE NET PROCEEDS

On 5 December 2019, the board of directors (the “**Board**”) of the Company resolved to change the use of the net proceeds as follows:

	Original Intended Amount <i>(HK\$' million)</i>	Utilized Amount as of 30 November 2019 <i>(HK\$' million)</i>	Unutilized Amount as of 30 November 2019 <i>(HK\$' million)</i>	Amount Revised of Intended Use <i>(HK\$' million)</i>	Revised Allocation of Unutilized Amount <i>(HK\$' million)</i>
Intended Use of Net Proceeds					
Develop new manufacturing or assembly plants in the overseas market	1,102.7	-	1,102.7	-	1,102.7
— Develop a new assembly plant for high-end refrigerated trailers in the southern US (“ Southern US Project ”)	275.8	-	275.8	(275.8)	-
— Develop a new automated production facility for chassis trailers in the coastline regions along the eastern or southern US	220.5	-	220.5	-	220.5

	Original Intended Amount <i>(HK\$' million)</i>	Utilized Amount as of 30 November 2019 <i>(HK\$' million)</i>	Unutilized Amount as of 30 November 2019 <i>(HK\$' million)</i>	Amount Revised of Intended Use <i>(HK\$' million)</i>	Revised Allocation of Unutilized Amount <i>(HK\$' million)</i>
Intended Use of Net Proceeds					
– Develop a new assembly plant for high-end refrigerated trailers in the UK or Poland	220.5	–	220.5	–	220.5
– Develop a new automated production facility for refrigerated trailers in Monon, the US	165.4	–	165.4	–	165.4
– Develop a new assembly plant for curtain-side trailers in the Midlands region of the UK	165.4	–	165.4	–	165.4
– Develop a new assembly plant for swap bodies and chassis and flatbed trailers in the Netherlands	55.1	–	55.1	50.2	105.3
– Develop a new assembly plant for refrigerated trailers in Canada <i>(Note)</i>	–	–	–	39.0	39.0
Develop new production facilities and upgrade the marketing model in China					
– Develop a new manufacturing plant in Jiangmen <i>(Note)</i>	–	–	–	87.0	87.0
– Upgrade the marketing model in China <i>(Note)</i>	–	–	–	99.6	99.6
Research and develop new products	157.5	–	157.5	–	157.5
– Develop high-end refrigerated trailers	63.0	–	63.0	–	63.0
– Develop other smart trailers	31.5	–	31.5	–	31.5
– Invest in product standardization, unit weight reduction and modulization in our European and US plants	31.5	–	31.5	–	31.5
– Develop other trailer products	31.5	–	31.5	–	31.5
Repay the principal amount and interests of bank borrowings	157.5	–	157.5	–	157.5
Working capital and general corporate purposes	157.5	–	157.5	–	157.5
Total	1,575.2	–	1,575.2	–	1,575.2

Note: New use of net proceeds

REASONS FOR THE CHANGES IN USE OF THE NET PROCEEDS

Cancel the Southern US Project and change in the use of the net proceeds

Considering that the scope of taxation and tariffs on China exports to the United States have been comprehensively expanded since our listing on 11 July 2019, and the progress of the Sino-US trade negotiations has been slow, leading to greater uncertainties in the US market and export tariffs, in order to utilise the net proceeds efficiently and effectively and for the benefit of the whole interests of the Shareholders, the Company decided to cancel the Southern US Project. The unallocated net proceeds arising from the cancellation of the Southern Project is approximately HK\$275.8 million. In order to use financial resources in a more efficient way after taking into account of (1) the import tariffs concessions granted by the Canadian government on Chinese trailer parts and components; (2) the Chinese semi-trailer and truck body market is currently going through a period of increasingly strict governance regulations and continuous renewal of industry standards, creating opportunities for product upgrading and replacement; and (3) the Company's further demand to increase manufacturing capacity, market share and product delivery capacity in the European market, the Company decided to re-allocate the above-mentioned unutilized net proceeds to the projects in Canada, China and the Netherlands respectively as follows:

1. Develop a new manufacturing plant in Jiangmen, China

The Company believes that with the evolving changes in the market environment, the future market of semi-trailers and truck bodies in China will gradually enter the era of curtain-side trailers, van trailers, refrigerated trailers and light-weight van truck body as mainstream products. In order to seize this opportunity, enhance its product competitiveness in the market and solidify its leading position in the industry, the Company intends to develop a new manufacturing plant in Jiangmen which caters to the global market. The product types include curtain-side trailers, van trailers, refrigerated trailers and van truck bodies. The registered capital of the project company will be approximately HK\$334.4 million, of which approximately HK\$87.0 million will be allocated from the net proceeds from the Global Offering and will be utilized within the next year from the day of this announcement and the remaining amount will be financed by the Group through its own and self-financing funds.

2. Upgrade the marketing model in China

According to the F&S Report, the Group accounts for 15.7% in the semi-trailer market in China in 2017, and the Company expects to further enhance its market share and profitability in China. In this regard, relying on the "Light Tower" plants in China and leveraging its own semi-trailer R&D and production advantages, the Group plans to establish an online internet marketing and sales channel management system leveraging on internal and external resources, and by using technologies such as big data and internet of vehicle, rapidly access to the end customers and increase the coverage of its core products and expand customer base and market share. The Group expects that the total investment amount of the project will be approximately HK\$99.6 million, all of which will be allocated from the net proceeds from the Global Offering and will be utilized within the next year from the day of this announcement.

3. Increase investment in developing the assembly plant for swap bodies and chassis and flatbed trailers in the Netherlands

The Group intends to increase the investment scale of the assembly plant for swap bodies in the Netherlands by approximately HK\$50.2 million, i.e. the net proceeds applying in this project will increase to HK\$105.3 million. The increase in the amount of the investment is mainly due to the expansion of the investment scale of the plant and equipment and the addition of the assembly line of chassis and flatbed trailers. The above net proceeds are expected to be utilized within the next two years from the day of this announcement.

4. Develop a new assembly plant for refrigerated trailers in Canada

In order to achieve the overall strategic objectives of the Group in the North American market, in addition to retaining the new refrigerated trailers project in Monon, the US and maintaining its investment scale, the Company is planning to develop an assembly plant for refrigerated trailers in Canada. In doing so, the Group will reduce tariffs risks and shipping costs from US to Canada and also maintain its market share target in the refrigerated trailer market in North America. The Group expects that the total investment amount of the project will be approximately HK\$39.0 million, all of which will be allocated from the net proceeds from the Global Offering and will be utilized within the next year from the day of this announcement.

The Board confirms there is no material change in the principal businesses of the Group as set out in the Prospectus and believes the above changes in the use of the net proceeds from the Global Offering will more effectively use the financial resources of the Group and enhance the future growth of the Group and be in the best interests of the Company and its Shareholders as a whole.

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

Hong Kong, 5 December 2019

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

* *Executive Director*

** *Non-executive Directors*

*** *Independent non-executive Directors*