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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)

CONTINUING CONNECTED TRANSACTION DEPOSIT SERVICE FRAMEWORK AGREEMENT

Reference is made to the Prospectus, the Stock Exchange has granted the Company 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 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. Details of the waiver are set out in the Prospectus under the section headed "CONNECTED TRANSACTIONS".

On March 25, 2020, the Board considered and approved the resolution in relation to the Deposit Service Framework Agreement and the transactions contemplated thereunder and the proposed annual caps.

The Directors currently expect that the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the proposed annual caps under the Deposit Service Framework Agreement, on an annual basis, will be more than 5%. Accordingly, the transactions contemplated under the Deposit Service Framework Agreement and the related annual caps are subject to the requirements of reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, CIMC has a direct and indirect interest of approximately 53.82% in the Company and is the Controlling Shareholder of the Company. Accordingly, CIMC and CIMC Connected Persons are thus connected persons of the Company. Therefore, the transactions contemplated under the Deposit Service Framework Agreement constitute continuous connected transactions of the Company.

The General Meeting will be convened by the Company at which resolution(s) will be proposed to seek approval from the independent Shareholders for the Deposit Service Framework Agreement and the transactions contemplated thereunder and the proposed annual caps.

As a circular containing, among other things, further information on the Deposit Service Framework Agreement and the transactions contemplated thereunder and the proposed annual caps, a letter from the independent board committee and a letter from the independent financial adviser, and the notice of General Meeting intended to be despatched together with information of the annual general meeting, it's expected that the Company shall despatch the above documents to the Shareholders by the end of April 2020.

INTRODUCTION

Reference is made to the Prospectus, The Stock Exchange has granted the Company 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 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. Details of the waiver are set out in the Prospectus under the section headed “CONNECTED TRANSACTIONS”.

On March 25, 2020, the Board considered and approved the resolution in relation to the Deposit Service Framework Agreement entered into between the Company and CIMC and the transactions contemplated thereunder and the proposed annual caps.

The Company entered into 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 the Group. For the deposit services provided, the Group deposit cash into their bank accounts maintained with CIMC Financial Institution, including cash generated from the Group’s daily business operations and proceeds generated from the Group’s financing activities. In return, CIMC Financial Institution pays deposit interests to the Group.

The initial term of the Deposit Service Framework Agreement shall commence on the Listing Date and be effective for three years, i.e. end on December 31, 2021, subject to renewal through mutual consents by the parties.

PRINCIPAL TERMS OF THE DEPOSIT SERVICE FRAMEWORK AGREEMENT

Parties

CIMC (on behalf of CIMC Connected Persons); and

the Company.

Principal terms

The Company entered into 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 the Group.

The initial term of the Deposit Service Framework Agreement shall commence on the Listing Date and be effective for three years, i.e. end on December 31 2021, subject to renewal through mutual consents by the parties.

Pricing policy

Interest rates for the deposits placed by the 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 the Group.

The Deposit Service Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable to the Group than those entered into between the Group, and independent commercial banks and/or other non-bank financial institutions.

Transaction rationale and benefits of the deposit services

Since February 2010, the 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 the Group. In return, the 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, 2019, CIMC Financial Institution had a registered capital of RMB920 million.

The Company considers that it is in the best interests of the Group and the Shareholders of the Group to enter into transactions with CIMC Connected Persons under the 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 the Group by independent third parties;
- (b) CIMC Connected Persons have acquired extensive knowledge of our industry over the years of providing deposit services to the Group and are therefore familiar with our capital structure, business operations, funding needs and cash flow patterns, which enables them to better anticipate the Group's business needs;
- (c) the arrangements under the Deposit Service Framework Agreement would allow the Group to efficiently manage our funds, and would increase the Group's bargaining power with regard to the terms and interest rates of the deposit services.

The Company will ensure that the 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.

Historical figures and existing annual caps

	Historical amounts (RMB'000)			As of February 29, /for the two months ended February, 29 2020 (Unaudited)
	As of December 31, For the year ended December 31, 2017	As of December 31, For the year ended December 31, 2018	2019	
Balance of deposit placed by the Group with CIMC Financial Institution	1,690,420	1,782,660	685,065	531,002
Interest income derived from the cash deposit	11,988	11,208	17,352	1,252

Proposed 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, 2020 and 2021 shall not exceed the caps set out below:

	Proposed annual caps (RMB'000) For the year ending December 31,	
	2020	2021
Maximum daily balance of deposit placed by the Group with CIMC Financial Institution	700,000	700,000
Interest income derived from the cash deposit	20,000	20,000

Basis of annual caps

The above annual caps for maximum daily balance of deposit are determined with reference to (i) historical balance of deposits placed by the Group with CIMC Financial Institution; and (ii) the Group's efforts to reduce its balance of deposits in order to further enhance the Group's financial independence from CIMC Group.

In respect of the deposit services to be provided by CIMC Connected Persons to the Group, the above proposed annual caps for the interest income to be received by the Group 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.

INTERNAL CONTROL PROCEDURES

The Company considers that the following measures are in the interests of the Shareholders as a whole. The Company has adopted the following measures with respect to the transactions under the Deposit Service Framework Agreement in order to further safeguard the interests of its independent Shareholders:

Internal control measures

In order to ensure that the terms under the Deposit Services Framework Agreement for the continuing connected transactions are fair and reasonable, and no less favorable to the Group than terms available to or from independent third parties, and the connected transactions are carried out on normal commercial terms, the Group has adopted the following internal control procedures.

The Group has adopted and implemented a management system on connected transactions upon Listing. Under such system, the Audit Committee is responsible for the review on compliance with relevant laws, regulations, the 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 the Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under the Deposit Service Framework Agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under the Deposit Services Framework Agreement.

The Audit Committee, the Board and various internal departments of the Company also regularly monitor the implementation and the transaction updates under the Deposit Services Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policies under the Deposit Service Framework Agreement.

The independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Deposit Service Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the Deposit Service Framework Agreement, on normal commercial terms and in accordance with the pricing policies.

When considering the interest payment, the 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 the 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

The Company has established an independent financial department with independent financial staffs, which is supervised by our financial director.

The Group adopted a sound and independent audit system and a comprehensive financial management system.

The Group does not share any bank account with CIMC Group.

The Group has independent tax registrations and has paid tax independently pursuant to relevant applicable laws and regulations.

Risk management measures

The Group will monitor the proposed annual caps under the continuing connected transactions as contemplated under the Deposit Service Framework Agreement to ensure the applicable annual caps are not exceeded.

The Group has adopted the following procedures to control the risk exposure relating to our deposit with CIMC Financial Institution:

- (a) the Group will regularly check the balance of its deposits with CIMC Connected Persons periodically to monitor its 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 is expected to exceed the applicable maximum daily deposit balance, the Group shall transfer partial funds to its designated bank accounts with an independent commercial bank or non-bank financial institution. The Group will also be notified immediately once the daily deposit balance approximates the maximum daily balance limit;
- (c) the treasury department of the Group will monitor the Group's daily deposit with CIMC Finance Institution and conduct periodic risk assessment on its deposits with CIMC Finance Institution; and
- (d) the Group shall closely monitor the financial position and operating conditions of CIMC Connected Persons. If the Company considers that there are material adverse changes in the financial position of CIMC Connected Persons, the Company will take appropriate measures, including early withdrawal of deposit and suspension of further deposits, to protect its financial position. The Company will, from time to time, at its 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 its deposits.

GENERAL INFORMATION

The Company

The Company primarily engages in the manufacture and sale of semi-trailers and truck bodies for specialty vehicles, and markets and sells an extensive range of semi-trailers and truck bodies in China, North America, Europe and other regions, covering over 40 countries.

CIMC

CIMC is a joint stock company established in the PRC with limited liability, with its H Shares listed on the Main Board of the Stock Exchange and A Shares listed on the Shenzhen Stock Exchange. CIMC Group is a world leading equipment and solution provider in the logistics and energy industries and is principally engaged in the manufacture of modern transportation equipment, energy, chemical and liquid food equipment, offshore engineering equipment, logistics services and airport facilities equipment as well as the provision of relevant services, including the design, manufacture and service of international standard dry containers, reefer containers, regional special containers, tank containers, wooden container floorboards, road tank trucks, natural gas equipment and static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semi-submersible drilling platforms, special vessels and airport facilities. In addition, CIMC Group is also engaged in the logistics service business, the industrial city development business and the financial business. CIMC Group has established an industrial cluster focusing on key equipment and solutions of logistics and energy industry through business expansion and technology development.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CIMC has a direct and indirect interest of approximately 53.82% in the Company and is the Controlling Shareholder of the Company. Accordingly, CIMC and CIMC Connected Persons are thus connected persons of the Company. Therefore, the transactions contemplated under the Deposit Service Framework Agreement constitute continuous connected transactions of the Company.

The Directors currently expect that the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the proposed annual caps under the Deposit Service Framework Agreement, on an annual basis, will be more than 5%. Accordingly, the transactions contemplated under the Deposit Service Framework Agreement and the related annual caps are subject to the requirements of reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of Mr. Mai Boliang, Mr. Wang Yu and Ms. Zeng Beihua is the Director and is also the director and/or senior management of CIMC and/or its certain subsidiaries, they are deemed to have material interests in the transactions contemplated under the Deposit Service Framework Agreement. They have abstained from voting on the resolution(s) in relation to the Deposit Service Framework Agreement and the transactions contemplated thereunder and the proposed annual caps. Save for the above person(s), other Directors have no interests in the transactions contemplated under the Deposit Service Framework Agreement.

The Board (not including independent non-executive Directors who will advise the independent Shareholders having taken into account the advice from independent financial adviser) is of the view that (i) the Deposit Service Framework Agreement and the continuous connected transactions contemplated thereunder are in the ordinary and usual course of the Company's business and based on normal commercial terms; and (ii) such continuous connected transaction and the proposed annual caps under the Deposit Service Framework Agreement are fair and reasonable to all Shareholders and in the interests of the Company and its Shareholders as a whole.

The General Meeting will be convened by the Company at which resolution(s) will be proposed to seek approval from the independent Shareholders for the Deposit Service Framework Agreement and the transactions contemplated thereunder and the proposed annual caps. Each of CIMC and its associates is required to abstain from voting at the General Meeting on the relevant resolution(s) to be proposed to approve the Deposit Service Framework Agreement and the transactions contemplated thereunder and the proposed annual caps.

An independent board committee comprising all independent non-executive Directors has been established to advise the independent Shareholders in respect of terms of the Deposit Service Framework Agreement and the proposed annual caps. The Company will appoint an independent financial adviser to advise the independent board committee and the independent shareholders of the Company in this regard.

As a circular containing, among other things, further information on the Deposit Service Framework Agreement and the transactions contemplated thereunder, a letter from the independent board committee and a letter from the independent financial adviser, and the notice of General Meeting intended to be despatched together with information of the annual general meeting, it's expected that the Company shall despatch the above documents to the Shareholders by the end of April 2020.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“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 Stock Exchange (stock code: 2039), and the promoter and Controlling Shareholder of the Company
“CIMC Connected Persons”	CIMC Group and associates of CIMC (and, for the avoidance of doubt, excludes the Group)
“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 Group”	CIMC and its subsidiaries (excluding the Company and its subsidiaries)

“Company”	CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司), a joint stock company with limited liability established under the laws of the PRC on August 29, 1996, whose H shares are listed and traded on the Stock Exchange
“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
“Deposit Service Framework Agreement”	the deposit service framework agreement dated January 15, 2019 entered into between the Company and CIMC in relation to the provision of deposit service by CIMC Group to the Group, details of which are set out in the section headed “Principal Terms of the Deposit Service Framework Agreement” in this announcement
“Director(s)”	the director(s) of the Company
“General Meeting”	the general meeting of the Company to be convened to consider, and if though fit, approve the transactions contemplated under the Deposit Service Framework Agreement and the proposed annual caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent shareholders”	has the meaning ascribed to it under the Listing Rules
“Listing Date”	July 11, 2019, the date on which the Company’s H shares are listed and from which dealings commence to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC” or “China”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated June 27, 2019
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, March 25, 2020

*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*