

CIMC TODAY

今日中集

CIMC Vehicles Special Issue



CIMC Vehicles: the Re-shaper of the World's
Semitrailer Industry

CIMC Vehicles Acquires UK-based Leading
Semitrailer Manufacturer Retlan

CIMC Vehicles Group's Game-Changing Journey
in North America

Exploration of Advanced Manufacturing from
"Lighttower Project" to "Magellan Program"

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中集车辆的北美破局之路
探索先进制造：从“灯塔”到“麦哲伦”



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Editor's Note

"CIMC Today is an important news service-oriented journal, an important information organ of the CIMC Group, and an important platform for building up the CIMC's international communication capacity. I hope this journal will be able to draw a clear picture of CIMC Vehicles' new image and its business values, and then present the picture to our stakeholders, our clients, partners or employees." Mr. David Li, Managing Director of CIMC Vehicles Group commented in the meeting with CIMC's PR Office. This expression aspired "CIMC Today – CIMC Vehicles Special Issue".

In this Special Issue of CIMC Vehicles, we walked into CIMC Vehicles Group's second largest business segment, and tried to present something beyond your imagination to you.

To tell a better story, the editorial team of CIMC Today has visited several CIMC Vehicles' subsidiaries in USA, Europe and China, to find out the operating principle and business value of CIMC Vehicles. No matter in Vanguard, CIE and CRTI in America, in LAG and SDC in Europe, or in the Lighttower plant in China, what impresses us most is PEOPLE. Of course, we admit that the nicely made semitrailer products, the advanced digital designs and the unparalleled production systems are stunning, really amazing. But it is all about people, the experts and management talents that have been contributing their "Local Knowledge" on the "Global Operation" platform of CIMC Vehicles to make CIMC Vehicles a respectable chaser, a valuable competitor, and a remarkable winner. "Global Operation Local Knowledge", one comma, two idioms and four words, is often presented in PPT like an empty talk. But in fact, it is not. For each and every, any and all production facilities, R&D centers and subsidiaries of CIMC Vehicles across the world, "Global Operation Local Knowledge" is a principle, a belief, a voice and a commitment.

It also surprises us that many overseas colleagues, although they are from companies that were acquired and then merged into CIMC Vehicles, yet they are in more favor, respect and love of it than we had thought. "I have worked here since 1985, and gone through three bankruptcies. When my men and I were in desperation, CIMC Vehicles came in. It launched the 'Project Midway', and this gave us hopes. The project worked pretty awesome, and we survived. Now, CIMC Vehicles has become a major player in the US market, and this is a real thrill indeed. I have worked for the Group over 13 years, and I am proud of it. I believe that CIMC Vehicles will have a bright future, and the Group deserves it." Kenneth E. Huff, Acquisition Manager of Vanguard told his story with pride and honor.

From China to Western Europe, from the east coast to the west coast in the US, we have travelled thousands of miles. The reason is simple: we are looking for an answer, an answer to the very questions – how has CIMC Vehicles done this, and what makes the Group what it is today? We finished the series of interview in Los Angeles, and then return to Shenzhen with doubts and thoughts, thread and pride. And then, we are working on this Special Issue. We intend to present to you, dear readers, the professional people, the high-quality products, and the advanced principle, in a vivid but also a candid manner.

From its courageous attempts in China, its game-winning interceptions in the US, and its glorious triumph on the world's semitrailer market, CIMC Vehicles' failure and success, challenges and guts, struggles and options, are all here, in this CIMC Today – CIMC Vehicles Special Issue. Hopefully, it will touch you and enlighten you, in a quiet afternoon, or at a quieter midnight.

Editorial Office of CIMC Today

Hello!

We are very honored
to recommend this
special vehicle issue
CIMC Today to you.

Managing Director of
CIMC Vehicles Group
David Li

First of all, I'd like to thank CIMC Today and its editorial team. It is their concerted and dedicated efforts that made this Special Issue possible. This publication offers latest and precise information and facts about CIMC Vehicles and its business values.

Also, I am honored by the privilege to recommend this Special Issue to you, the stakeholder that we have cherished over the years. In this journal, you will read the stories about the way of growth and development of CIMC Vehicles, and hopefully it will help you know more about us. We will be thrilled and appreciated if you trust us a little bit more after reading this issue.

CIMC Vehicles has been competing vigorously worldwide since its inception in 2002, and we have done this on the merits of our products, services and principles. There are two stages of our development. The first stage is from 2002 to 2010. In this period, we entered into the semitrailer business, we rose

quickly through acquisition and integration the major facilities of the industries of China. The second stage is from 2010 till today. In this period, we started our global operation strategy. Through consistent integration of overseas resources, we have built up production facilities and sales network successfully that will serve our clients worldwide in North America, Europe, Asia, Africa and Oceania, established the business layout characterized by global operation, and achieved the recognition and acceptance in the major markets via our technologies and products.

From making investments in Chinese mainland to establishing a global operation system, CIMC Vehicles has been witnessing and taking advantage of historical opportunities and social evolutions after China's entry into WTO. Today, CIMC Vehicles is no longer just a Chinese company that invests and operates overseas. On the contrary, we have pooled together the

elites of the world's semitrailer industry on the basis of "Local Knowledge", grown into a global company with extensive expertise, an engine that drives economic and social development of countries where we have made investments, a member that creates jobs for local residents and benefits communities, and a model that is honored and respected.

With your support, CIMC Vehicles has become a leading company in the world's semitrailer industry after years of efforts... Whatsoever in the past, present or in the future, we always grow together with your stay. We commit to achieving sustainable development and organic growth that will be driven by innovative concepts and cutting-edge technologies and creating new values for you.

We hope that, on our way ahead, both of us will work together to strengthen cooperation and create a win-win for a better tomorrow.

CIMC Vehicles: the Re-shaper of the World's Semitrailer Industry

Writer/Photographer | Kevin Li

In the face of economic slowdown in China, a right business pattern means almost everything for the manufacturing industry. In the context that China has suffered from weak demands and the manufacturing industries have not bottomed, CIMC Vehicles has outshined in CIMC's diverse business layout, with its operating revenue continuing to grow in 2016 despite the slowdown of other business segments. CIMC Vehicles' development of its loss-hedging ability and implementation of global operation strategy over the past few years have effectively protected the Group against the influence of the recession on a single market and from the fluctuation of exchange rates. Thanks to the strong growth in North America over the past two years and the acquisition of the UK-based Retlan Group, the biggest in the global semitrailer industry in recent ten years, CIMC Vehicles has further enhanced its leading position in the world's semitrailer industry.

Statistically, the Group respectively sold 102,900, 115,300 and 113,900 special vehicles in 2013, 2014 and 2015, and received total operating revenue of 2.08 billion, 2.26 billion and 2.13 billion US dollars. Especially, CIMC Vehicles' semitrailer products accounted for over 10% of the world's total in 2015. So far, more than 50% of the Group's semitrailer products have been exported to a numbers of major markets including the US, the UK, Holland, Belgium, Japan and Australia, and a number of emerging markets including the Middle East, Southeast Asia, South America and Africa.

Over the years, CIMC Vehicles has grown from a newcomer into an industrial leader. Its birth and growth have tremendously affected, or even reshaped the layout of the global semitrailer industry.



IT'S A BIG MOVE FROM OCEAN TO LAND

CIMC Vehicles is the second largest business unit of CIMC Group. The parent company was established in 1982 at Shekou, Shenzhen. Though CIMC had a period of rough time after it was establishment, yet it quickly found way-out thanks to the State's reform and opening-up policy and its dedicated marketization and internationalization efforts. It became the world's biggest manufacturer and seller of containers in 1996, and has been ranking the first place ever since.

However, CIMC's top leaders were not content with the achievement. Driven by the impulse to diversify CIMC's businesses, they decided to take a step forward: besides maintaining the leading position of its containers for ocean shipping businesses, it would manufacture road transportation equipment. In 1999, CIMC's CEO Mai Boliang spent his Spring Festival holiday in Australia. Occasionally, he came across van trailers running along the highways. They looked nice and had high transportation efficiency. Most important of all, they were like "containers on wheels". Considering the low-efficiency and backward logistics services in the Chinese mainland and CIMC's development strategy to "provide equipment and services for modern transportation industry", Mai Boliang decided to develop the semitrailer business, apply the successful experiences gained from the operation of container business to the new business, and promote the all-round upgrading of vehicles for China's logistics

service industry. Afterwards, Mai Boliang and his managers and technicians visited Australia and the US for on-site investigation and communication, set up a semitrailer project team, and worked on the new and thrilling business undertaking.

After several years of surmounting technical difficulties and conducting technical research and development, CIMC Vehicles was established in 2002. In the same year, CIMC held "CIMC Semitrailer & Van Trailers Launch Conference" at Shekou, Shenzhen, marking the formal start of CIMC's semitrailer business. The company, which had contributed to the development of domestic logistics service industry with its ocean shipping equipment, would contribute more to the improvement of logistics service efficiency with its road transportation equipment.

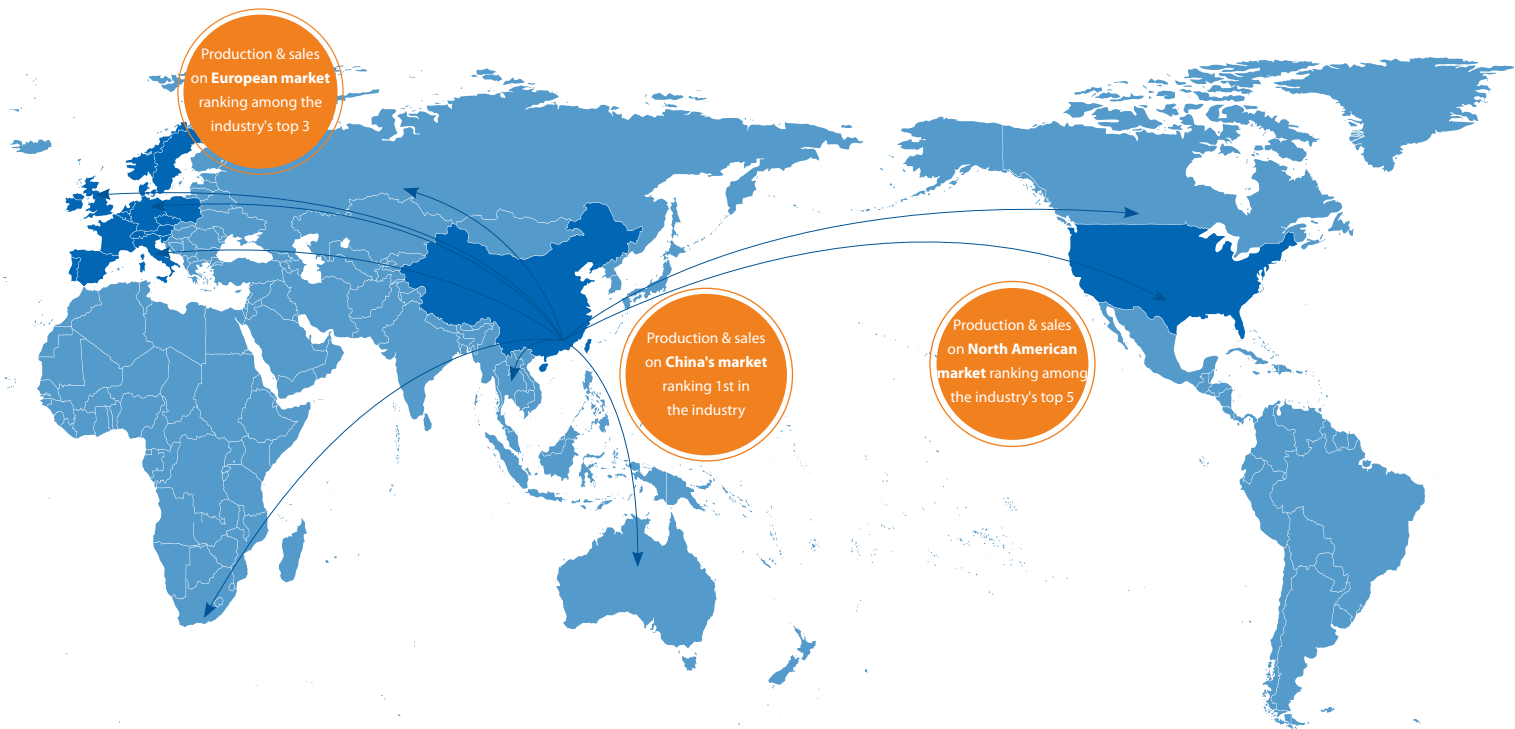
BUSINESS OPERATIONS AND PERFORMANCES ON CHINA'S MARKET

Since 2003, CIMC Vehicles successively acquired a number of major players in domestic special vehicle industry, including Yangzhou Tonghua, Zhumadian Huajun, Jinan Kogel, Wuhu Ruijiang and Luoyang Lingyu. In September 2003, Shenzhen CIMC Special Vehicles Co., Ltd. held the foundation laying ceremony for its production facility at Pingshan Town, Longgang District, Shenzhen, marking that the company, a core member company in the entire strategic layout, formally stepped on the way of development. It is noteworthy that CIMC

Vehicles successfully won the order for 13,000 container transportation semitrailers from Maersk Line in 2003, the world's largest container shipping company. This order was the largest of the year, and it has been the largest ever in China so far, representing that CIMC Vehicles' semitrailer products successfully accessed to international markets.

In the next few years, as China's economy rapidly developed, its semitrailer industry embraced high-speed growth. China gradually became one of three core semitrailer markets in the world, and kept pace with North America and Europe. Annually, over 200,000 semitrailers were sold on China's market. Within this period, CIMC Vehicles established its competitive advantage by making full use of China's economic surge. According to the Global Semitrailer Market Analysis and Forecast released by ACT Research in 2014, CIMC Vehicles' sold 46,700 semitrailers on Chinese domestic market, owned about 22% of domestic semitrailer market shares, ranking the first place in China.

Besides consistent improvement of its production facility layout, CIMC Vehicles has established over 600 4S shops and service centers as well as 7 vehicle gardens that will serve the major regional markets across the country, aiming to create perfect commercial vehicle sales and service network for domestic clients.



BUSINESS OPERATIONS AND PERFORMANCES ON WORLD'S MARKETS

In 2003, CIMC Vehicles acquired and restructured Vanguard in the US, marking the formal start of the Group's access to overseas markets. After more than 10 years of efforts and endeavors, CIMC Vehicles has extended its business from China to North America, Europe, Australia, Southeast Asia, the Middle East, Africa, and other countries and regions. As of November 30, 2016, CIMC Vehicles has established 25 production facilities that could meet the demands of clients in North America, Europe, Australia, the Middle East, Southeast Asia and Chinese mainland, preliminarily created the cross-border business operation layout that features global interaction, reasonable distribution, mutual complement and sharing of resources, and boasted annual production capacity of 200,000 special vehicles. Giving full play to the operating principle of "Global Operation Local Knowledge", CIMC Vehicles has made splendid achievements worldwide.

Since 2015, as the American economy picks up, its semitrailer market has had marked increase. Today, the US has become the biggest regional market for the Group. It is estimated that in 2016, the business revenue from North American market will represent 40% of the Group's total, with its operating revenue

exceeding US\$800 million. Besides Vanguard, CIMC Vehicles successively established or acquired a number of semitrailer companies, including CIMC Reefer Trailer and CIMC Intermodal Equipment. A series of acquisitions, consolidations and business transformations have turned CIMC Vehicles from a newcomer into one of the top five semitrailer suppliers in the US. At present, the Group mainly sells Tandem chassis, van trailers and reefer trailers on American market. Among them, the Tandem chassis has an overwhelming large market share.

CIMC Vehicles has also done a good job on European markets. In September 2016, the UK-based SDC, a new member of the CIMC Vehicles' family in Europe, joined its hands with the Belgium-based LAG at the IAA 2016. The joint exhibition at the important industrial event heralds CIMC Vehicles' coming back to the European market and its determination and intention to local the European business. After SDC became a new member of the Group, CIMC Vehicles' total sales volume in Europe exceeded 11,000 units, making the Group one of the top three in European semitrailer industry. Through professional management and business transformation, LAG has turned from a local semitrailer manufacturer into a leading tank truck manufacturer that serves neighboring countries, the whole Europe and even the Middle East by fully using CIMC

Vehicles' resource synergy and cross-border manufacturing ability. In the future, SDC, LAG and CIMC Trailer in Poland will complement each other in terms of locations and markets. CIMC Vehicles' strategy to return to the European markets is now working much better than expected.

In addition, besides the three major markets, namely China, North America and Europe, the emerging markets including Australia, Africa, Latin America and Asia have become more important than ever before. In the past three years, CIMC Vehicles has achieved high-speed business growth on emerging markets, with annual growth rate of operating revenue and net profit both above 20%. In 2015, the operating revenue from emerging markets exceeded US\$300 million. So far, CIMC Vehicles completed the construction of production facilities in 10 emerging market countries and regions, and established operating network in many countries and regions, including Australia, Thailand, Saudi Arabia, Bahrain, Malaysia, South Africa, Russia, Vietnam and Hong Kong. It is believed that the "One Belt, One Road" Initiative and the top down design that aims to help China's enterprises access to the main coverage countries of the initiative will bring new markets and opportunities to CIMC Vehicles and benefit its development a great deal on emerging markets.

THREE SECRETS TO SUCCESSFUL GLOBAL OPERATION: GLOBAL SUPPLY CHAIN, CROSSOVER DESIGN AND CROSS-BORDER MANUFACTURING

Global supply chain, crossover design and inter-continental manufacturing are three secrets to CIMC Vehicles' successful global operation.

In more than ten years, with the fast growth of the Group's businesses in the world, its parts and components suppliers in the US, China and other countries have intensified their efforts to keep up with CIMC Vehicles, gradually improved their international supply abilities, and finally formed mature and developed global supply chain system for the parts and components of semitrailers. During this process, on one side, the parts and components suppliers have extended their reach into wider regions and thus achieved rapid growth; on the other side, since they are closely located to CIMC Vehicles' production facilities, the supply efficiency has been improved, the supply costs have been lowered, which have further improved the comprehensive competitiveness of the Group.

At a CIE plant, we have witnessed the miracle of inter-continental manufacturing. In China, the plant completes the production of major steel structures and the assembly of electrical parts and brake lamps for Tandem chassis; with thorough logistics schemes, the parts and components of several units of semitrailers are put into one container, shipped to the US, assembled into complete vehicles in the American plant and then sold on the US market. The use of CKD pattern, a very mature one in car-making industry, has greatly lowered the production costs while ensuring the high quality of products. The pattern has won recognition and trust from the US clients and brought the Tandem chassis to an overwhelmingly advantageous position on North American market.

In addition, with the Group's global operation platform, the member companies in different countries are able to conduct extensive interaction in product design, research and development, fully study and integrate the strong points of semitrailers sold on the US, Chinese and European markets, and come up with an array of crossover designs, which has also effectively raised CIMC Vehicles' product competitiveness and customer satisfaction.

FUTURE-ORIENTED ADVANCED MANUFACTURING SYSTEM

While consistently making business breakthroughs, CIMC Vehicles keeps on making R&D attempts in its digital design and production, aiming to create an advanced manufacturing system that will enable the Group to outperform its competitors in the future.

In the early 2015, CIMC Vehicles unveiled its first "Lighttower Project" in Dongguan, Guangdong Province. There is an unwritten common understanding in special vehicles segment that the European standard is superior to that of the North America, and the North American standard is superior to those in other countries and regions. CIMC Vehicles has a forward-looking review the "Industry 4.0", and launches the "Lighttower Project" – an advanced parts and components manufacturing center at proper time, so as to meet the global standards for parts and components including the German standard. The deeper exploration of the "Lighttower Project" in industrial automation and information digitalization will promote the all-round integration among the three-dimensional digital design models, structural digital techniques and advanced manufacturing hardware and processes managed by the EMS system and achieve the digital management of product life-cycle. The success of the "Lighttower Project" will be a great support to the advanced manufacturing of parts and components for semitrailers in the context of global operation.

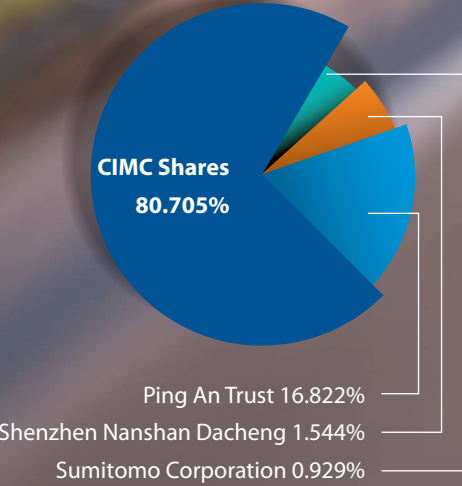
As more and more digital plants are built and put into operation, CIMC Vehicles will successfully shape the layout of "manufacturing advanced parts and components in China and supplying such parts and components all over the world" to meet the demands of its operation platforms on North American market, European market and emerging markets, a vital link of its "inter-continental manufacturing". In the future, CIMC Vehicles will carry out the upgrading of technologies on the basis of the "Lighttower Project" and may set up a number of advanced parts and components manufacturing centers across the world to give support to its global operation. It is believed that the Group's consistent efforts to explore the advanced manufacturing system will contribute to the upgrading of manufacturing of the world's semitrailer industry and lift the technologies and product quality of the whole industry to a higher level.

Today, CIMC Vehicles has become an industrial leader. But the semitrailer market is currently being fragmented. Therefore, to achieve sustainable development, CIMC Vehicles will accelerate its localization abilities on major markets, shift from China-oriented operation to world-oriented operation, adopt digital manufacturing processes instead of the traditional manufacturing processes to, and turn from a functional organization into an adroitly organization, so as to create more values for its clients. For CIMC Vehicles, its future will be challenging, but promising.



Three Strategic Investors Hold New Shares of CIMC Vehicles

Writer | Kunling Liu



The efforts of CIMC Vehicles, the second largest business unit of CIMC, to introduce strategic investors, have been properly rewarded. The three new investors, namely Ping An Trust, Shenzhen Nanshan Dacheng and Sumitomo Corporation respectively accounted for 16.822%, 1.544% and 0.929% of the Company's shares after the acquisition of newly issued shares. With their investments, CIMC Vehicles' shareholding structures will be further optimized, favorable for the improvement of its internal and external governance mechanisms.

CIMC, the parent company of CIMC Vehicles, and a pioneer of mixed ownership economy in China, has realized that the shareholding structure with a shareholder holding majority of shares cannot give CIMC Vehicles a perfect and efficient corporate governance structure. CIMC Vehicles' executives said

that the introduction of new investors has created a diversified yet well-balanced multi-shareholder structure, shifted the Company's shareholding structure from a highly centralized pattern of single shareholder and ownership to a relatively centralized pattern with the existence of relatively controlling shareholder, which will improve the Company's internal and external governance mechanisms including the incentive mechanism, supervision mechanism and the mechanism for connection with external capital markets. The introduction of strategic investors will bring sufficient cash, enabling the Company to enhance its overseas market penetration and expansion through acquisition and other cooperative forms and to optimize its global strategic layout through comprehensive strategic cooperation with the new investors.

Today it is an inevitable choice for China's enterprises to make best use of the country's unique advantages in the global manufacturing industries and build up their core competitiveness by means of operating globally. CIMC Vehicles has, as was shown by market analysis, done a remarkable job in this regard and preliminarily completed its global layout thanks to the development and resource integration in more than ten years. The introduction of three strategic investors will provide CIMC Vehicles an efficient mechanism to safeguard against periodic economic volatility facing a single economic entity.

Respectively, Ping An Trust, Shenzhen Nanshan Dacheng and Sumitomo Corporation are member companies of well-known groups: Ping An, Nanshan,

and Sumitomo. The introduction of the new investors will tremendously improve CIMC Vehicles' ability to expand its business across the world and acquire and integrate upstream and downstream resources. The Company will cooperate with Ping An Group in finance, investment management and lease businesses; in the application of light materials, financial business and overseas business expansion with Nanshan Group; in the product and service extension to upstream and downstream of the industrial chain and the layout of sales and service network on emerging markets. Also, the three new strategic investors will share resources of practical values with CIMC Vehicles to jointly achieve its target that the Company will make effort to become an excellent and world-class trailer manufacturer.

It is noteworthy that the round of funding was also backed by CIMC Vehicles' management team, who held 1.544% of the Company's shares after purchasing newly issued shares at the same market price as the strategic investors had afforded. This has shown their confidence in the sustainable development and further progress of the Company.

CIMC Vehicles Makes Spectacular Presence at the 2016 IAA

Writer | Kunling Liu

Hannover, Germany – The 66th IAA Commercial Vehicles 2016 (2016 IAA), a leading international trade fair for mobility, transportation and logistics and a get-together for the entire commercial vehicle industry, was held in Hannover from September 22 to 29. David Li, Director of the Board and General Manager of CIMC Vehicles Group, attended and made a keynote speech at the “China Day” Forum held by China Council for the Promotion of International Trade (CCPIT). Two of CIMC Vehicles Group’s foreign subsidiaries, namely the UK-based SDC and the Belgium-based LAG, made spectacular presence at the Fair. In addition, over 40 representatives from the business departments of CIMC Vehicles Group’s headquarters, Shenzhen CIMC Special Vehicles Co., Ltd., Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. and CIMC Vehicles Shandong Co., Ltd. attended multiple events at the 2016 IAA.

AT THE “CHINA DAY” FORUM: DAVID LI MADE AN IN-DEPTH ANALYSIS OF GLOBAL TRAILER MARKET TRENDS

CCPIT is a national foreign trade and investment promotion agency under the leadership of Jiang Zengwei, the former Vice Minister of the Ministry of Commerce of the People’s Republic of China. At the invitation of CCPIT’s Automotive Industry Committee, David Li delivered a keynote speech at the “China Day” Forum on the afternoon of September 23 (local time) on behalf of the special vehicles industry. This was one of the important events that CIMC Vehicles Group was present at the 2016 IAA.

David Li, in his keynote speech of *Seeking to transform in a fragmenting global trailers market*, expressed his thoughts about the global economic integration and elaborated on the new tendencies in the world’s economy from such perspectives as the basic facts

of China’s economy and the international economic turbulence after the Brexit. In order to effectively cope with such new tendencies, the localization of businesses will become one of important strategies after the golden period of globalization came to its end. CIMC Vehicles will also make preparations from its overseas layout, exploitation of international markets and innovation of business growth patterns to efficiently solve future problems.

The Assistant of General Manager of CIMC Vehicles Group Mr. Andrew Yang and Danny Ye, CIMC Vehicles HR Manager Ms. Flora Mao, team leader of the “Lighttower Project” Mr. Li Xiaofu, The MD of CIMC Vehicles Europe Mr. Wolfgang Schuster, and the CEO of LAG Alan Zhang also attended the forum. After the meeting, the famous media outlet in China’s auto industry Home of Trucks (www.360che.com) had an exclusive video interview with David Li.

SDC AND LAG MADE A JOINT PRESENCE AT THE 2016 IAA

Normally, the weather in Europe at the end of September is little bit colder, but it goes well during the 2016 IAA. The UK-based SDC, a new member of the CIMC Vehicles Group in Europe, joined its hands with the Belgium-based LAG at the 2016 IAA for the first time.

At the outdoor exhibition areas, SDC displayed its van trucks and curtain side semitrailers, while LAG showed its classic liquid tankers. In addition, SDC specially refitted its curtain side semitrailers into areas for receptions and business negotiations. Also the pallet business jointly invested by CIMC Vehicles and Modern Logistics were shown at the Fair.

Surprisingly, members from the Chinese shareholding team will not stay long in SDC’s exhibition booth, because they take extra care to maintain the local characteristics of the UK company and respect its right to independently

run its own business. This has shown CIMC Vehicles Group’s rich and unusual experience in national and international exhibition events.

Mark, CEO of the UK-based SDC, said in an interview that SDC’s van trucks and curtain side semitrailers were popular in the UK, Northern Ireland, and Northern European market including Scandinavian Peninsular due to geographical and historical factors, and its clients and market performances were not impacted after the Company was acquired by a Chinese company. Mark showed his confidence in SDC’s consolidation into CIMC and in the fulfillment of the business objectives in the financial years of 2016 and 2017.

CIMC Vehicles appointed Alan Zhang as CEO of LAG after the acquisition of the Belgium-based company, carried out a series of reconstruction measures, and turned losses into gains in 2015 and 2016, in which the business profit in 2015 was the best-ever performance over the past 15 years. The Sino-European interaction between

LAG and Yangzhou CIMC Tonghua Special Vehicles Co., Ltd. was regarded as the “Model of CIMC”. Alan Zhang expressed that the success of the business pattern would be attributable to the three indispensable factors: firstly, CIMC Vehicles Group’s successful innovation in the business pattern; secondly, LAG’s decades of proven track record in the technical competence at the market segment; thirdly, the ability of domestic plants to live up to the European standards and to conduct advance manufacturing. He estimated that LAG’s profit would reach a record high in 2016.

The Poland plant, one of the three major production facilities of CIMC Vehicles Group in Europe, well adapted to and took advantage of the tendency that European automakers gradually shifted their manufacturing businesses to low-cost East European countries. At the 2016 IAA, CIMC Vehicles Group’s three European production facilities had a joyous gathering and showed the ambition to obtain more market shares in Europe.



Seeking to Transform in a Fragmenting Global Trailers Market

——David Li, Managing Director of CIMC Vehicles Group Speech delivered at the “China Day” Forum at the IAA 2016



I am honored here to deliver a keynote speech for the second time. The first time, I talked about how to make full use of “Local Knowledge” to organize operations on global markets effectively. In the past two years, we all have witnessed the dramatic changes on global semitrailer markets. China’s current economy has entered a new phase that is different from the high-speed growth pattern exhibited in the past; the demands in emerging markets are weakening due to the price slump of crude oil and other commodities; European countries are working hard to minimize the downside risks from Brexit; the United States will have a new president in 5 months, but both of the candidates are not “globalization” enthusiasts.

In my point of view, the world’s economic boom started with the “globalization” after the collapse of Berlin Wall, and the golden period of globalization ended in 2014. After the two years’ transition, we are now in an era of globalization that is currently being fragmented. Now a large number of semitrailer builders are working on their global operations. Unfortunately, they find that the accumulated knowledge in the golden period has worked, but in an opposite way.

Today, I would like to talk about how to seek new wisdom about global operation in a global market that is being fragmented.

We will start with the brief review of how CIMC Vehicles established its global operation layout in the golden period. And then I will show the achievements that CIMC Vehicles Group has made in this golden period of globalization and in the transitional period afterwards. At last, we will explore how to transform in a global semitrailer market that is being fragmented.

In China, this golden period went throughout the very 30 years of the nation’s reform and opening-up process. CIMC, China International Marine Containers (Group) Ltd., was established in the 1980s, the beginning of the golden period. These pictures show the changes of men’s wear in the past 30 years. We can see that there is almost no change to the men’s wear in Europe within this long span of time, but there

have been considerable changes to the men’s wear in China. I believe, in the next 30 years, China’s semitrailer market will change like this. It is an inevitable result of globalization, no matter it is in the golden period, the transitional period or a period of being fragmented.

In 2015, CIMC maintained robust growth and gained annual revenue of 58.7 billion yuan. In 1994, CIMC was listed on the Shenzhen Stock Exchange; in 2012, it was listed on the Main Board of the Stock Exchange of Hong Kong. So far, CIMC has over 50,000 employees in China and about 7,000 overseas. Its businesses include containers, road transportation vehicles, energy, chemical and food equipment, offshore and airport facilities.

CIMC Vehicles Group has only 14 years of development since its establishment in 2002. CIMC Vehicles has 13,000 employees, including 10,000 in China and about 3,000 overseas. It has 25 production facilities worldwide. If to describe our business performance in one world, “global” may be the most appropriate. The revenue from China’s market account for about 45% of the company’s total. In 2015, we sold over 100,000 semitrailers on international markets, and I believe that we will sell more this year.

These are our major production facilities in different parts of the world. These are five major plants in China, and these are their products. We also have a large number of subsidiaries in other countries and regions. For example, CIMC Vanguard and CIMC IE are our two subsidiaries in the US. They are responsible for running CIMC Vehicles Group’s business in North America. They sell about 40,000 van trailers, reefer trailers and Tandem chassis annually. Besides, we have got LAG in Belgium, MLI in Australia, to name just a few.

It is not easy to manage a company, let alone 25 production facilities in different countries, with different cultures, and subject to different laws and regulations. On this point, I think I have got a valuable experience, and it did work pretty awesome. That is, to recruit local talents. They are familiar with local markets, have



connections, and know much better about local suppliers. We do not directly get involved in the operation of a local company, but local talents with proven track record will do.

Now, let’s review the changes of globalization. These are some descriptions of the relevant changing periods, and I will explain them one by one. In China, the domestic economy has gone through the process from high-speed growth to the “new normal” state. For me, the “new normal” is the combination of two kinds of economic situations, as shown by the blue line and the red line in the following diagram. From the blue line, we can see that since January 2013, the PMI of China’s service segment is above 50%, indicating the industrial boom of the service segment. For example, China’s E-commerce business has a skyrocketing growth. At the same time, the red line represents that the PMI of the manufacturing segment is much lower than that of the service segment, and it continues to decline, causing the drop of PMIs of coal, energy, highway and other relevant industries. It is like the weather of Melbourne, for people there can have four seasons in a single day. Now, we are experiencing the economic boom and the economic gloom in a single country. The same thing also happens in the special vehicles segment. The sales growth of refitting vehicles has tremendously dropped. Fortunately, we stopped it 4 years ago. However, we find something with growth potential in semitrailer business, such as the transportation vehicles of hazardous chemicals, logistics vehicles for E-commerce operators, and long-distance transportation semitrailers. Oil tank truck is also a new growth point. But it does not mean that China consumes more oil and gas. It is because that previously, many

oil and gas transportation equipment is illegal, and now Chinese government has tightened its control, requiring oil and gas operators to buy compliance vehicles. In general, China’s market is now characterized by two-speed economy and in particular, it has a two-speed special vehicles segment. In the US, the outlook for new trade agreements (for example, the TPP) is not that optimistic; in Europe, its markets have become more region-oriented; in emerging market, most of the regions are in great need of the localization of production.

In view of these facts, we know that the golden period of globalization has come to an end, and we should do something different. Today, since the world’s semitrailer markets are being fragmented quickly, we must establish and develop the ability to realize the localization of production in major markets so as to achieve sustainable business growth. Since 2013, CIMC Vehicles has its revenue from overseas business increased from US\$610 million to US\$ 1,200 million, and the number of employees overseas increased from 1,500 to 3,000. We are now shifting from China-centered operation to the world-oriented operation, from traditional manufacturing process to digital manufacturing process, and from a functional organization to an adroitly organization. For me, these shifts are all about transforming.

Now, I will talk about what we have done about the transforming, and how we did it. As is shown in the transforming equation, we focus on digital manufacturing and global operation, and set for them the targets and strategies from four dimensions, namely product, production, management and operating revenue.

The equation is now leading our way ahead. As for capital expenditures, we successively invested in building 6 overseas plants in 2014 and 2015. We built plants in Germany, Saudi Arabia and Vietnam in 2014, and State of Virginia, the US, South Africa and Poland in 2015. We did this to further enhance and perfect our global operation layout. In 2016, we built the second plant for CIMC Vanguard, acquired the UK-based SDC, and built the “Lighttower Project” plant in Dongguan, China. These efforts are based on the merits and guidance of the equation, and yield generous returns.

At last, I want to share the experience with you that: firstly, transforming is like walking. The result depends on how many steps you have walked, but not about how far a step can cover; secondly, transforming is like sailing in an unfamiliar course. To a larger extent, the success of transforming depends on how much people have prepared for the worst before they pursue the best; thirdly, transforming needs a profound transformation of your organization, from a function or matrix one to an adroitly one. The transforming will produce more crossover designs, stimulate cross-border manufacturing activities, promote global supply chain management and global fund flow management, and bring us more opportunities to work together with our business partners for win-win.

I am convinced that with our concerted efforts, we will have the transforming fruits.

CIMC Vehicles Acquires UK-based Leading Semitrailer Manufacturer Retlan

Writer | Lingjuan Tan Photographer | Kevin Li

Retlan Group registered a revenue of

£198 million

during the last financial year

including a profit of

£14 million

CIMC Vehicles Group announced that it has solely taken over the Retlan Manufacturing Limited ("Retlan Group"), at £91.7 million (over 800 million yuan) in June, 2016. Retlan is a UK's leading semitrailer manufacturer and owners of SDC Trailer and MDF Engineering. Thanks to the deal, the biggest in the global semitrailer industry in recent ten years, CIMC will be able to extend its reach into the UK's market, expand its business growth on European markets, and retain its position as a semitrailer leader worldwide.

THE ACQUIRED COMPANY HAS GOOD QUALITY ASSETS AND ITS BUSINESSES FIT WELL IN CIMC VEHICLES GROUP'S STRATEGIES

CIMC Vehicles started business talks with Retlan at the beginning of 2015. Retlan Group is the largest semitrailer maker in the UK. It is a specialist in the production of semitrailers such as flat transportation semitrailers and curtain-side semitrailers; it has production plants at Antrim in Northern Ireland and Nottinghamshire in England and nearly 1,000 employees. CIMC Vehicles finds close connection in business with Retlan Group, which will complement to CIMC Vehicle's semitrailer business portfolio in the UK with its advantages in local markets, and provide CIMC Vehicles with a springboard to the European markets.

Necessary investigations to finalize the mega deal revealed that Retlan has been trading successfully in recent years. It achieved sales revenue of £198 million and profit of £14 million for latest fiscal year.

The acquisition cost CIMC Vehicles more than 800 million yuan, but the Group's top leader commented that the deal is worth a lot more: it is an acquisition of best overseas assets in recent years and marks an important new chapter in CIMC Vehicles' globalization strategy, because the major buyers of semitrailers are from Europe and America. CIMC Vehicles ended its 2015 with

an amazing 10 percent market share and the first place in the world. However, if CIMC Vehicles could not make it to the top three on European and American markets, its ranking was not that convincing.

THE ACQUISITION HELPS CIMC VEHICLES SPEED UP AND IMPROVE ITS STRATEGIC LAYOUT AND BRING ITS BUSINESS ON EUROPEAN MARKETS TO A HIGHER LEVEL

It is noteworthy that the acquisition took place at the time of Brexit referendum. Though the Britain's departure from the European Union is totally unexpected for most of the media outlets worldwide, CIMC's acquisition team said that they have made full preparation for the outcome during the acquisition process. In the long run, Brexit will impose no obviously adverse impact on the acquisition, on the consolidation between the two groups and on further implementation of CIMC's European strategies. CIMC Vehicles will continue to balance its resource allocations across the world. At present, the group's resource allocations on American, European and emerging markets are able to minimize the risks of exchange rate fluctuations, an approach that CIMC has developed and proved to be effective.

CIMC's resolution to seek business growth and expansion in Europe will not be shattered by Brexit, but it may make necessary strategic

adjustments and adapt to local customers' demands with more accurate market strategies. Previously, a stand-alone company may serve a larger area in Europe featuring regional market integration, but in the future, the European markets may become more differentiated. "A differentiated market means considerable challenges for China's enterprises, and only those capable ones will be the winners in the fierce competition. CIMC's excellent track records in pursuit of globalization will do good to us. I am confident that for CIMC, a differentiated Europe means an opportunity instead of a tragedy", David Li said.

In a macroscopic view, CIMC Vehicles implemented its European strategy in a planned manner as early as in 2014. It tactically penetrated the European markets with the help of its previously acquired LAG in Belgium and through the setup of a production plant in Poland. After the successful acquisition of Retlan Group, the three positions, geographically in a triangle shape, will be complementary to one another, which will bring CIMC Vehicles significant business growth on a European scale and put it in an advantageous position. SDC's consolidation into CIMC Vehicles tremendously improved the parent company's business performance and raised CIMC Vehicles' ranking in the European market to the third place, only after the European giants Schmitz and Krone. CIMC Vehicles' brand awareness built up among the local markets, clients and suppliers.



CIMC Vehicles to Build a New Production Facility in Bahrain

Writer | Lingjuan Tan Photographer | Kevin Li

On September 6, 2016, CIMC Vehicles Group (the Vehicles Segment of CIMC) announced that it will build a production facility in Bahrain. The new plant is mainly to meet the demands of clients on the Middle East markets for refrigerator trucks. Bahrain government extends warm welcome to CIMC Vehicles Group's investment. The Economic Development Board (EDB) of Bahrain, a government agency responsible to attract inward investment into Bahrain, fully supports the building of the new plant. CIMC Vehicles Group's investment represents

that its refrigerator trucks will be formally launched on the Middle East markets as a major product based on its success of oil tank trucks in the region.

Mr. Khalid Al Rumaihi, Chief Executive Officer of the EDB, said: "CIMC, welcome to Bahrain! In my point of view, CIMC's investment has shown the Group's recognition of the favorable transport conditions, developed supervision and management systems and skilled workers in Bahrain. As a part of EDB's consistent support of the development of logistics

industry, we will provide CIMC and other global manufacturing companies with a series of favorable conditions so that they can give full play to their advantages and improve their business in the Gulf Region. I am very proud that EDB, with its dedicated efforts over the years, has succeeded in attracting CIMC's investments into Bahrain and creating good jobs for my people. I hope that CIMC can further expand its business in Bahrain very soon. "

CIMC Vehicles Group's Financial Director Ms. Teresa Tan said: "it's a wise decision to

build a new plant here. Bahrain has ideal infrastructure and huge cost advantage, and it closely connects with Saudi Arabia, Gulf Cooperation Council and other countries in the Middle East. These are all very important to us. We believe that with skilled workers and open business environment here, CIMC Vehicles Group has already found a perfect platform for future development."

According to Ji Yuan, a CIMC Vehicles' leader responsible for the Bahrain program,

CIMC Vehicles has made magnificent breakthroughs in its businesses in Saudi Arabia and other Middle East countries, and cumulatively won orders for 1,000 aluminum alloy oil tank trucks over the past two years. Also, the communication with clients indicated that there was big market for refrigerator trucks. Since CIMC Vehicles has made great success in the USA and other countries based on its unique CKD pattern, the Group decides to build a refrigerator truck assembling plant in Bahrain that will assemble the parts and

components manufactured by Qingdao CIMC Special Refrigerator Truck Co., Ltd. By doing so, CIMC Vehicles will be able to greatly lower down the costs for exporting complete trucks, and extend the reach into the core areas of the Middle East and even to some countries in North Africa after the Bahrain plant is formally put into operation.



Global Operation Local Knowledge

Writer | Kevin Li



Covering
25 manufacturing and R&D facilities
in China, North America, Europe and emerging markets

CIMC Vehicles Group has been committed to providing high-quality semi-trailers to clients worldwide since its inception. Over the past 10 years, the Group has successfully established 25 manufacturing and R&D facilities in China, North America, Europe and emerging markets and created the service network that is accessible and available to users in different regional markets across the world. With the process, the Group has developed its operating principle, the one later known as “Global Operation Local Knowledge” in the industry.

“Global Operation” is not merely about arranging business geographically, more importantly, it reflects CIMC Vehicles’ strategic considerations of the tendencies on global markets, and the evolution and transformation of the connotation of Group’s global strategy.

In recent years, due to the gloomy economic prospect, the exchange rates was in a turbulent fluctuation, the trade protectionism and international trade barriers gradually prevailed, and the world’s semitrailer markets are being fragmented. In the face of such complexity and difficulty, CIMC Vehicles gradually shifts its international operation mode with “Made in China” as the core to the global operation mode featuring “localized production”, so as to adapt more to local market segments and better and faster meet the individual needs of customers.

Whatever the change is, global supply chain, crossover design and inter-continental manufacturing have always been the focus. The global supply chain makes localized production possible, the crossover design pools together the knowledge of technicians on this planet,

and the inter-continental manufacturing combines the manufacturing capability and integrated operating competence of the Group’s network – all of the three factors are essential for the Group’s success in its implementation of the global strategy. In addition, as a Group that always aims higher, CIMC Vehicles has set off the journey to explore the design, production and manufacturing of digitalized products, so that the information flow will be functioning in different parts of the Group’s global operation and contribute to the consistent improvement of its product quality and operation management efficiency.

Another factor crucial for the successful “Global Operation” is people. Therefore, CIMC Vehicles has been always taking the “Local Knowledge” of expert managers that have fully

familiarized themselves with and understood the characteristics of local markets seriously. In some regions, the Group creates and tailors scientific and reasonable board of director governance structure, gives sufficient authority to its subsidiaries and respects the right of local management for independently making decisions on operational affairs. The top-down design enables the management group that are familiar with customer demands and staff culture to give full play to their initiative and working enthusiasm, which has tremendously enriched and upgraded the connotation of “Local Knowledge”.

The seemingly old-fashioned but actually advanced wisdom that do not put all your eggs into one basket has become an important strategic countermeasure to solve the

economic imbalance across the world in the long run. CIMC Vehicles hopes that, through the balanced development, the Group will be able to have 20 to 40 percent of revenue from its regional centers in China, America, Europe and emerging markets, and develop the loss-hedging ability, so as to ensure that will achieve organic and sustainable business growth.

David Li, Managing Director of CIMC Vehicles Group, has ever commented the operating principle “if the operating principle is a necklace, then ‘Global Operation’ is the string, while ‘Local Knowledge’ is the pearls. Without ‘Global Operation’, ‘Local Knowledge’ will lose its value; without ‘Local Knowledge’, ‘Global Operation’ will lose its luster.”

CIMC Vehicles Group's Game-Changing Journey in North America

Writer | Lingjuan Tan Photographer | Kevin Li

CIMC Vehicles Group has an “American Dream”, while ambition may be more accurate. The Group intends to be a major player on the semitrailer market of the US. Today, its ambition has been fulfilled, maybe not completely, but largely.

It all started in 1999, when Mai Boliang, CIMC's CEO and President, thought about the possibility of starting new vehicle business, the container manufacturing giant firstly visited two regions to gain specific data and in-depth understanding of relevant technologies and markets, and North America was one of them. Two years later, CIMC established its representative office in America – CIMC USA. In 2003, CIMC Vehicles Group began a series of cooperation, acquisitions, establishments of new production facilities and new sites. On the journey to fulfill its ambition, the Group has undergone tremendous ups and downs. Fortunately, the odds were in CIMC Vehicles Group favor. Today, CIMC and its American brand Vanguard are the top ones on the semitrailer markets in North America. So far, the American subsidiary has become one of the top five companies in terms of output and sales volume, with its revenue exceeding US\$500 million and some products ranking first places in the region.

What on earth has CIMC Vehicles Group gone through in the US? What made the Group

go so far? Over the years, CIMC Vehicles Group keeps a low profile and seems a little bit mysterious. However, as CIMC becomes more global, and domestic companies are enthusiastic in investing in foreign companies, it is necessary to summarize CIMC Vehicles Group's secrets of success so that followers will have less grief on their way ahead.

In the middle of November 2016, we visited the Group's three subsidiaries in the US. The vehicles line up in the showroom and the workshops busy with production were eye-catching, but what impressed us most was our American colleagues' trust in CIMC and their confidence in future, and that is something really matters.

RESTRUCTURING OF VANGUARD: FROM A LOSER ON THE EDGE OF BANKRUPTCY TO A TOP FIVE WINNER IN AMERICA

When we are driving on American highways, we find that, gorgeous transportation vehicles with CIMC or Vanguard logos will pass by from time to time. Each time such a vehicle passing by, our tour guide will become a little “annoying”. He always asks to find the difference between a vehicle carrying a CIMC or Vanguard logo and a vehicle made

by competitors. And then, he behaved like a “peacock”: our tandem chassis ranks No. 1, dry van trailer ranks No. 5, and reefer trailer ranks No. 4, and our vehicles are in the same quality, if not better than, as those of our competitors.

CIMC Vehicles Group, a company that is mainly dedicated to the production of semitrailers, has found its place in the US, the world's largest semitrailer market, and one of the markets with standard operations. In the US, the top semitrailer manufacturers all have established worldwide reputations. Among the world's top ten trailer manufacturers, five are from the US, and they all have decades or even nearly one hundred years of history. But CIMC Vehicles Group seems to be a total different species. The Group acquired an American semitrailer company in 2003, and now becomes a member of the top five semitrailer manufacturer club, the number one seller of semitrailers in the world. Its business performance and product quality both have been enormously recognized on local markets. Surprisingly, it made thus far within only 13 years.

Seemingly the success comes so easily. But it's not.

In 2003, CIMC, through its American business unit – CIMC USA, acquired the bankrupt

HPA Monon, the eighth largest trailer manufacturing company in the US, at a low price. Afterwards, CIMC restructured the company into Vanguard – the Group's first semitrailer production facility in the US, and then began its semitrailer business in the country. However, Vanguard did not perform as smoothly as expected. Due to the lack of experiences and understanding of local markets, CIMC's semitrailer business was on a tortuous journey. In particular, severely impacted by the subprime crisis in 2008, Vanguard suffered a huge loss and faced a crisis: to live or to die. In 2009, David Li (David Li) was appointed as general manager of the American subsidiary, and he became the “Captain America”.

“When I entered the office, I had only got two options: to close the company, or to make it smaller through job cuts and salary cuts”, recalled David Li vividly at the 2016 China-US Business Roundtable.

Today, when we looked back at the whole thing, the decision was not merely about the death or survival of Vanguard, it was more about the business prospects of CIMC Vehicles Group in the US. Ultimately, David Li and his management team decided to make Vanguard smaller: 50 percent of employees

were laid off, and the rest had a pay cut by 10 to 20 percent. But the management promised that as long as the company fulfilled its business targets, the pay cuts would be refunded as bonuses, and they also set a number of efficiency improvement targets. The decisive strategy was named the “Midway Island Scheme”.

And, it worked. In December 2010, one year after the implementation of the “Midway Island Scheme”, Vanguard's business indicators turned a little bit more positive, and the company significantly reduced its loss and met the loss cut target. In the end, the employees lost their pays for three months, but they got their bonuses of six month in return. By 2011, Vanguard got out of the mire of loss and stepped onto the way of profit-making. In 2011, Vanguard achieved a NOPAT (net operating profit after tax) of US\$4.38 million. When CIMC Vehicles Group made less profit on China's market, it received steady returns from the US.

Vanguard's profits continued to go up in 2013, 2014 and 2015, and peaked in 2015: it sold 12,000 vehicles and ranked fifth in the US, and its turnover amounted to US\$477 million, with a profit of US\$ 18 million. Over the years, Vanguard's first American plant

has been running at full capacity. In 2015, the company began to build its second plant in Trenton. In September 2016, the Trenton Plant was put into operation. On seeing much more spacious factory buildings and newer equipment, we are convinced that Vanguard will be able to make more achievements.

Vanguard's success also drew great attention from the top leaders of the Chinese government in 2016. David Li was invited to attend the China-US Business Roundtable as the representatives of the Group. In particular, China's Vice Premier Wang Yang specially took CIMC's success as an example in his speech, and gave a thumbs-up to CIMC's successful restructuring of Vanguard, a purely American company. The top leader's recognition filled David Li with great pride. Charles W. Mudd, CEO of Vanguard National Trailer Corp, was also present at the event, and he was extremely excited. He said: “I've never thought that our work is so meaningful. I am proud to contribute my share to the success of CIMC and its American subsidiary.” The concerted and dedicated efforts of the China-US management team have paid back.



THE CKD PATTERN LEADS TO STRONG PRODUCT COMPETITIVENESS

Vanguard's success has justified CIMC Vehicles Group's further attempts. The Group decides to introduce its reefer trailers into the US, since it has mastered the core "foaming technology" of insulation boards. With its unparalleled leading positing in the refrigerated containers segment, CIMC is in possession of considerable advantage in developing reefer trailers.

Thanks to Vanguard's success, the reefer trailer business goes relatively smoothly. In 2009, CIMC Reefer Trailer Inc. (CRTI) was established in the US, and adopted the CKD pattern that the parts and components are manufactured in China, and the complete vehicles are assembled in the US. In just a short few years, CIMC Vehicles Group has eclipsed most of its reefer trailer competitors that have almost one hundred years of history. From 2013 to 2015, the CRTI reefer trailer under Vanguard Brand ranked fourth place on American market. CRTI built its second production facility in Moreno Valley, California in 2013. Today, CRTI has annual production capacity of 4,000 reefer trailers, representing about 6 percent of market shares in the US.

On the other side, CIMC Intermodal Equipment (CIE) was restructured from the US Dire Chassis that was acquired by CIMC Vehicles Group in 2011. Today, its Tandem chassis ranked first place in the US. Long before the acquisition, Direct Chassis was an agent of CIMC Vehicles Group and sold the Group's Tandem chassis products in the US. With the low cost and high quality, the products were popular with big container clients and increased its market shares. As



CIMC Vehicle's Tandem chassis gradually came to a leading position, and Direct Chassis became a US subsidiary of the Group, CIE has attained a dominant position and outperformed its competitors. To satisfy the increasing demands of users in North America, CIE built two plants in South Gate, California, and Emporia, Virginia. CIE's output reached a record high in 2015. The company produced 28,000 units of products that year, and had them sold and distributed all over the US.

The CKD pattern refers to a mode of inter-continental manufacturing that is based on the cost advantage of China. CIE and CRTI have some parts and components of their Tandem chassis and reefer trailers respectively manufactured in China, acquired the rest in the US, and then assembled them together at the local production facilities. Shi Wen, CIMC Vehicles Group's Tandem chassis business manager in North America, considers that the CKD pattern as CIMC's biggest and unparalleled strength, saying "besides the cost advantage of 'Made in China', as the world's No. 1 manufacturer

of containers, CIMC naturally has the most profound understanding and special adaptation ability in ocean shipping."

Ding Xin'an, deputy general manager of Qingdao CIMC Special Reefer Co., Ltd, who is responsible for the production of CKD parts and components in China, introduced that at the beginning, CIMC Vehicles Group transported completely assembled reefer trailers to the US, but then we found that it was hard to barely meet the ends meet. However, if we use containers to transport the parts and components of reefer trailers, we could realize tremendous savings in cost. Besides, we have optimized the design of panels of the reefer trailers, so that the problem of container transportation has been fixed, and the design of products has become more flexible. For the transportation of Tandem chassis, CIMC Vehicles Group adopts similar design methods, and thus gained unparalleled advantage. This is the manifestation of CIMC's strategy to "diversify relevant industries", that's to say to extend the reach into relevant industries after there has been sufficient strength in a certain industry.

CIMC VEHICLES GROUP'S BRANDS ARE POPULAR IN THE US

For a long period of time, when Chinese products are marketed in the US, they are often lowly priced so as to gain popularity and competitiveness. CIMC Vehicles Group adopted the same method at the beginning. As a newcomer, it gave up some of its profits, aiming to gain more clients. However, a low price is not an eternal strategy. To some extent, it is only a "ticket". CIMC Vehicles Group's management team has realized that if the Group wants to gain and retain its clients, especially the ones in North America, trustworthy quality and outstanding service should come first in the long run.

Now CIMC Vehicles Group can proudly declare that its brands and products on American markets all feature first-class quality, and some technical indicators have even become the benchmark of the industries concerned.

"When our product quality are accepted and recognized in the market, clients no longer come and talk to us again and again crying for low prices any more", David Li said in a confident tone. In particular, after CIMC Vehicles Group has initiated the Lighttower Digital Plant Project to build automation- and digitalization-oriented plants in Chinese Mainland since 2014, its manufacturing technology special for Tandem chassis for North American markets have got thumbs-up from American competitors, and this has completely made CIMC Vehicles Group more confident in its products. When Frank Sonlaza, CEO of CIE, showed clients around the factory, would introduce the products with great pride "these are from CIMC Lighttower Plant. Its cutting precision, its smooth finish and its warranty period are superior to those of our competitors."

Such confidence in products can be found in every product of CIMC Vehicles Group's subsidiaries in the US. When asked about the brand influence of Vanguard, Charles W. Mudd always reacts immediately "this is a top brand in the van trailer segment, and it enjoys great reputation among our clients. Besides, for some features, Vanguard has imposed stricter requirements than the competitors ahead of us do.". He further says "Vanguard is the first company that uses galvanized sheets on anti-collision frames, supporting brackets and the tops of its products in North America. It brings good anti-corrosive performance and satisfies clients' requirements, so our competitors have to do the same at last."

Denny Williams, COO of CIMC USA, said "though our sales volume is not as large as those of the top three companies, yet we have unrivalled advantages, for example, the flexibility." He continued "different clients focus on different things. They may care about prices, the complete array of functions, higher quality, delivery, after-sales service, etc. Vanguard's strength is to meet all these needs whatever they care about. Charles W. Mudd considers the same way. He believes that the reason that Vanguard achieves the outstanding business performance is that the company cares about the needs, including the personalized needs, of every client."

But it was totally different when Vanguard's products were sold on American market, especially the reefer trailers, a high-end product in the semitrailer industry. After the reefer trailers were launched, there was a rumor that the product had a thermal leakage problem, meaning that under the same heat preservation requirement, if a reefer trailer has a thermal leakage problem, when its refrigerating machine stops working, the less time it spends, the more electricity it will consume. That is to say, CIMC Vehicles Group's did not have a trustworthy core technology about reefer trailers. If the rumor was found to be real at last, CIMC Vehicles Group's reefer trailers would have to be kicked out of the American market.

But CRTI quickly presented the most convincing evidence. According to Wang Jiehui, Operation Director of CRTI, with the arrangement of CIMC Vehicles Group's top leaders, the company randomly selected a reefer trailer and sent it to THERMAL KING, a world's leading test authority. The testing results were exceptionally astonishing. The heat preservation performance of CIMC Vehicles Group's reef trailers was even better than those of the No. 1 manufacturer. This not only quashed the rumor of heat leakage

problem, but also built up Vanguard's brand awareness among clients in North America and demonstrated CIMC's confidence to let the quality speak for the product. The testing result sheet is not kept as a treasure of history and memory of the special time and event in the company.

FaJingyan, manager of CRTI's California plant, said confidently "at the beginning, we took advantage of Vanguard's reputation when we promoted the reefer trailers in the US, but now they complement each other. Furthermore, the reefer trailers are widely used and become much more popular in the eastern part of the US, so it also helps Vanguard to extend its brand influence in North America."

As the reef trailer has successfully improved its brand awareness in the US, more and more big clients prefer CIMC Vehicles Group's products. Last year, Target Group, the second supermarket after Walmart, acquired over 300 reef trailers from CIMC Vehicles Group, and placed an order for nearly 200 more at the end of the year. The big contract is the clients' trust, and the demonstration of CIMC Vehicles Group's ability to supply a large number of reefer trailers at one time to major clients.

What is noteworthy is that as the Tandem chassis, dry van trailers and reef trailers have established their reputations in the US, CIMC Logo was fixed onto the distinctive places of CIMC Vehicles Group's products, clearly showing the confidence of a Chinese enterprise in its products. Today, CIMC is known to American transportation enterprises and intermodal companies. Through the improvement of product quality, the Group has gradually changed American companies and consumers' idea and impression about products "Made in China".





AMERICAN EMPLOYEES MAKE NO EFFORT TO HIDE THEIR LOVE FOR CIMC

What also impresses us is that though CIMC Vehicles Group is a Chinese company, most of middle-level and top leaders of its American subsidiaries are foreigners. Vanguard is the most one, because we find no Chinese here.

However, our interviews with dozens of employees have revealed that they are all proud and fond of CIMC Vehicles Group, a multi-national company that has its roots in China. “I like CIMC, because I have found what I am capable of here. I like my colleagues, including those guys who get and keep in touch with me from China.” Almost all interviewees give the same answer. American employees’ answers are straightforward, simple, real, and emotional.

American management team’s recognition is closely connected with David Li, CIMC’s chief representative to the US. The memory of Li’s coming to the US for discussion about the fate of Vanguard in 2009 does not fade away for Charles and Denny, two operators of Vanguard. The three men, the top three decision-makers at that time, together worked out the decisive “Midway Island Scheme”. In the few years, Charles and Denny were full of great respect for David Li, an entrepreneur with international vision, and believed that the mutual trust was crucial to the successful shift of the company. “The trust does not come naturally. It is created, nurtured and then promoted during cooperation. We like one another and trust one another, and that is why we support one another until we got out of the trouble”, the

two men recalled the past with a tinge of emotion. To lay off 50% of employees was definitely too hot for the management team. It was done with complaints, curses, tears and grudges. Mark Roush, the deputy technical supervisor, said plainly “I did not like David at all. I dislike him the moment he walked into the office”. Before the layoffs, Mark Roush had 7 employees directly reporting to him. After the layoffs completed, he only got one. But the successful restructuring turned out be in Li’s favor. “David and I had supper not very long ago. He suddenly said ‘I know you hated me that time. I laughed, ‘Yes. But I like you now.’” Now Mark Roush’s department has the same number of employees before the layoffs. As the company’s business goes up, his department became much more important than before. Marl Roush is working with CIMC Vehicles Group’s engineers in China on aluminum platform trailers. He is happy with Chinese engineers and thinks their technical competence is surprisingly amazing.



Vanguard CEO: Charles W. Mudd

Vanguard’s purchasing manager Kenneth E. Huff is an old employee. When CIMC acquired HPA Monon, he had worked there. Now he is coming to the full retirement age. Kenneth had gone through three tough times of the company, during which the company was on the precipice of bankruptcy. But the third time, CIMC Vehicles Group appeared, and David Li appeared, and the company was saved. At present, with company’s business growth, he can expect a better future, and he is satisfied to work for CIMC Vehicles Group.

Charles W. Mudd said that in his mind, CIMC Vehicles Group is not merely a Chinese company, but a multi-national group. To be working here has widened his vision. This year, he was invited to join in the board of directors of SDC, a newly acquired semitrailer giant in the UK. The opportunities to participate in cross-border communication and global operation fill the man with great pride.

SECRET TO SUCCESS: GLOBAL OPERATION LOCAL KNOWLEDGE

To some extent, the recognition of American employees is far more important than the business success that CIMC Vehicles Group has achieved over the years, because the whole process is full of the management wisdom. So, what on earth makes CIMC Vehicles Group a giant on American markets over the past ten years? This is something commanding more attention.

“Global Operation Local Knowledge”, this is the most respected operating principle, and the biggest secret, for David Li and management team in the American subsidiaries.

“Global Operation” is more about the support of resources rather than bureaucratic management and control. In the meantime, “Local Knowledge” means a great deal to give full play to the initiative of each subsidiary. For David Li, the two principles cannot be separated. He said: “if the operating principle is a necklace, then ‘Global Operation’ is the chain, while ‘Local Knowledge’ is the string of pearls. Without ‘Global Operation’, ‘Local Knowledge’ will lose its value; without ‘Local Knowledge’, ‘Global Operation’ will lose its luster.”

To put it simply, “Local Knowledge” is to give the subsidiaries enough powers and respect the local management’s rights of independent operation and decision making under the Group’s governance structure of the board of directors. This has been seen clearly in Vanguard. Its management team has no Chinese, but the high-caliber talents recruited from across the US. According to Charles W. Mudd, once he had a meeting in his office, and he found that most of the 30 participants all have decades of working experience in transportation sector. CIMC Vehicles Group’s management fully trusts

Charles and his mates. After the success of the “Midway Island Scheme”, David Li seldom flies to Vanguard except the annual meeting for board of directors. But for important issues, Li will have audio and web meetings with the local management team. “This is amazing. In return, we work hard to create values for the Group”, said Charles.

In his point of view, CIMC was a pretty good container maker when it came to the US, but it was not that good with semitrailers. However, CIMC got one thing pretty right: it gave sufficient authority to local management team. “To find a right candidate and then put him at the right place” is the core of CIMC Vehicles Group’s “Local Knowledge”. The Group fully understands the importance to have local management talents in its team, because they know much better about the markets and how to deal with local employees.

Frank, General Manager of CIE, is such a local management talent. He had worked for over 20 years in PSI, and served as its vice president for a long period of time. Frank was quite familiar with American transportation markets, and he was well-connected. Last year, when the CEO of CIE retired, David Li approached Frank and invited to work for CIMC. However, Frank failed to make a decision within a week. When he received a phone call from Li, he said very honestly “I have no idea. I never thought about leaving PSI. I have friends here, I work with them for so many years, I recruited them, trained them, attended their wedding ceremonies, and gave gifts to their kids. Now, I am fighting with my memories and emotions.” David Li talked with Frank over the phone for 45 minutes. At last, Frank said Yes. “David told me, Frank, you’ve said that you were the best No. 2 in your company. Now, you have the chance to be the best No. 1 in my company.” This made me change my mind.



CIE CEO: Frank Sonzala

Although Frank works in the new company for only 6 months, he has done something remarkable. With the valuable experiences he had accumulated in big companies, he instructed that there should be a quick response code for a vehicle, and a 24-hour hotline available to the public. These value-added services have won him great respect in the company. CIE’s CFO Hu Dong has witnessed the growth of the company. He thinks that Frank’s rich marketing experience means a lot to CIE. Therefore, as a Chinese immigrant in the US for many years, he also helps Frank with the operational affairs other than those about finance, and becomes Frank’s “best No. 2”.

CONCLUSION

CIMC Vehicles Group’s management believes that its success on the US market represents significant meaning. The restructuring experience of Vanguard was later applied to other subsidiaries in Europe, Asia and Australia, and in David Li’s words, “it fits pretty well and the results are fantastic.” David Li and his mates also find from the success on American market that, the volatility of global market is a normal phenomenon, the volatility of local market is not totally the same, so if the Group has maintain a balanced development in different regions, that’s to say to compensate and balance out the volatility, the Group will be able to avoid more and more risks. Based on such findings, CIMC Vehicles Group purposefully divides the global markets into four major regions: China, North America, Europe, and emerging markets. “Hopefully, on each regional market, we will be able to make 20 to 40% of the total operating revenue of the Group. When the business goes up, for example, in the US, we can make nearly 40%; when the business goes down, we hope the ratio will not drop below 20%. If so, we have much more power to minimize or even eliminate some risks. At the same time, by doing so, we will be able to give full play to the resource advantages on different regional markets and make them contribute more to the business growth of the Group. Previously, our CIMC’s global operation was the one based on the advantage of “Made in China”; but what we have done and we are doing now are a global operation of higher versions, and it is the target, the strategic layout that we are making each and every effort and endeavor to achieve.” David Li said emotionally.

Now no one has any doubt about CIMC Vehicles Group’s “American Dream”. The question is: HOW BIG...

LAG and Tonghua: European Technology and Products “Made in China” Reinforce CIMC Vehicles’ Position on Saudi Arabia Market

Writer | Wei Yuan Photographer | Kevin Li

Accounting for about 50% of market shares and making it the Top 1 tank truck brand in Saudi Arabia

G2, CIMC’s second-generation aluminum alloy oil tank truck, was launched at Dammam, the capital of Eastern Province of Saudi Arabia, on October 11, 2015. It is another major breakthrough CIMC has made on the markets of the Middle East. Abdulrahman R.Al-Rashid, Eastern Province Chamber President, shook hands warmly with David Li, Managing Director of CIMC Vehicles Group. He expressed his thanks for CIMC Vehicles’ efforts on Saudi Arabia market, highly praising its aluminum oil tank trucks, services and values for local users.

Over the past few years, CIMC Vehicles responded enthusiastically to the call of the Chinese government for the implementation of the “One Belt, One Road” Initiative, and made great efforts to extend its reach in Middle East markets with Saudi Arabia as a

base of significant strategic importance. Since Saudi Aramco imported the first aluminum oil tank truck from CIMC Vehicles in 2013, the Group has cumulatively exported over 1,400 aluminum tank trucks to Saudi Arabia, accounting for about 50% of market shares and making it the Top 1 brand in the region.

CIMC Vehicles’ success on Saudi Arabia market should be attributable to the coordinated effects featuring the combination of “European designs, products ‘Made in China’, and local sales services” within the Group’s global operation framework. Namely: European technologies provided by CIMC Vehicles’ Belgium-based subsidiary – LAG Company, products “Made in China” provided by Yangzhou CIMC Tonghua Special Vehicles Co., Ltd., and local sales services provided by **CIMC Aribia**.



A COMBINATION OF EUROPEAN TECHNOLOGIES AND PRODUCTS "MADE IN CHINA"

CIMC Vehicles kicked off the campaign to promote its aluminum tank trucks on markets of the Middle East countries. After enormous communication and discussion, CIMC Vehicles and ZAHID, a well-established company in the region, established the joint venture **CIMC Aribia**, aiming to create a favorable and stable platform for the export of CIMC Vehicles' products to Saudi Arabia.

At the beginning of 2013, CIMC Vehicles Group set up an aluminum tank truck coordination project team special for Saudi Arabia market. The team was led by the Global Business Expansion Department under the Group's headquarters and incorporated concerted efforts from different parties concerned.

Saudi Arabia users trust European products and technologies more than those from China. However, due to higher prices and lower production capacity, European products do not have overwhelming advantages. Therefore, LAG, a technology specialist based in Europe; Yangzhou Tonghua, a manufacturing expert based in China, cannot win any order from Saudi Arabia users if the two companies do not join hands. In consideration of the characteristics of Saudi Arabia market, the coordination project team made specific division of work: LAG was responsible for technical research and development as well as relevant communication with users, and Tonghua was responsible for the production and manufacture of ordered products. LAG has outstanding tank truck design abilities and advanced manufacturing experiences, while Tonghua has the technical competence in aluminum tank trucks, maintains steady product quality performance and possesses the ability to fulfill orders for large quantity of products. Their combination brings the aluminum oil tank trucks that feature excellent safety, large loading capacity, nice appearance and conformity with the ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road) standard. In addition, **CIMC Aribia** provides comprehensive sales services to users through its organic cooperation with local partners. With the organization and arrangement of the Global Business Expansion Department, the project team had numerous communications with Saudi Aramco Oil Company and helped it with the development of technical specification for products. In the end, CIMC Vehicles won Aramco's product certification and became one of the first appointed equipment suppliers.

CIMC Vehicles' aluminum tank trucks impressed and surprised Aramco a great deal, because the oil company had never thought that China was able to manufacture such high-quality products. At that time, Aramco was working on the publicity and promotion of the use of aluminum tank trucks. The oil company specially shot a advertising film

to publicize the advantage of aluminum tank trucks over carbon steel tank trucks. The aluminum tank trucks in the film were provided by CIMC Vehicles.

In June 2016, the Arabian Sun introduced in its headline, that Aramco praised CIMC Vehicles' aluminum tank trucks for its advanced design, excellent safety, professional and timely after-sales services, considered the products to be the benchmarking one on Saudi Arabia market, and believed that the products played an important role in Aramco's upgrading of American tank trucks.

AN INTERNAL SYNERGY WITHIN THE FRAMEWORK OF GLOBAL OPERATION

For the cooperation on Saudi Arabia project, LAG and Tonghua have entered into a technical transfer contract. According to the contract, Tonghua will pay LAG the technical licensing or service fee for the transfer of tank truck technology, equaling to 1% of the product price. In the meantime, Tonghua undertakes the production of aluminum alloy tank trucks for LAG, which has tremendously improved LAG's production capacity and offered LAG the cost advantage. "The success on Saudi Arabia market has given fresh hopes to LAG, a subsidiary that was in the mire of loss for successive years, and considerably boosted the morale of its employees. They believe that CIMC Vehicles Group is a reliable source of support and will be able to take them out of trouble," said Zhang Ling, General Manager of LAG. In 2014, Tonghua processed 150 aluminum alloy tank body assemblies, which effectively eliminated LAG's bottlenecks in the production of tank bodies and expanded LAG's sales of complete trucks on European markets. Thanks to the cooperation, LAG turned losses into gains for the first time within 7 years after it was acquired.

The synergy between LAG and Tonghua also helps Tonghua to build a world-leading aluminum alloy tank truck production line, and brings Tonghua a net profit of more than 100 million yuan. In addition, it improves the R&D ability of Tonghua's technicians and manufacturing performance of its front-line workers. Taking advantage of the internal synergy, Tonghua has successfully lifted its tank trucks into the markets for high-end products and enhanced its brand awareness.

A BUSINESS COMPLEX THAT NURTURES THE TWO COMPANIES

The success on Saudi Arabia market has taken the trust between LAG and Tonghua to a deeper level. Over the years, the cooperation between the two companies has become more effective. Robert, LAG's operation director, has ever taken a business trip to Tonghua. He talked about it with great excitement, "when I learned that I was going to have a business trip to Yangzhou six months (weeks) ago, I was excited for a couple of days. I have been looking forward to the opportunity to go there."



In 2015, CIMC Vehicles Group implemented the strategic measure to create a business complex. Therefore, LAG and Tonghua joined hands and established the business complex. Liu Hongqing, General Manager of Tonghua, served concurrently as Chairman of the Board of Directors of LAG. The business complex brings closer and more flexible synergy. The cooperation mechanism clearly regulates: if a product to be sold is under the brand of LAG, Tonghua will be serving as a manufacturing unit of LAG; if a product to be sold is under Tonghua's THT brand, LAG will be serving as a technical department of Tonghua. With the clarification of roles, the two sides have respective rights and obligations within the cooperation framework. At present, LAG's 30% of tank bodies are provided by Tonghua.

Their synergy will enter a "LAG + era" very soon. On one side, extend the production lines from aluminum tank trucks to steel tank truck and other products; on the other side, extend the cooperation to more markets. The two companies are now talking about the joint development of tank truck business in Russia.

"To upgrade the manufacturing technology and to maintain the cost advantage are essential for CIMC Vehicles to grow into a world-class enterprise. Today, CIMC Vehicles does not compete with its rivals as a single business unit, but a business complex that will take advantage of the strength and resource of the Group," said Liu Hongqing, General Manager of Tonghua. Successful synergy among companies cannot be achieved without clear positioning, mutual complementarity and seeking of win-win. The synergy between LAG and Tonghua is of significant importance of reference for CIMC Vehicles' global operation.

Exploration of Advanced Manufacturing from “Lighttower Project” to “Magellan Program”

Writer | Lingjuan Tan Photographer | Wei Liu

This is an era when innovations outweigh experience. Companies that have not realized this tendency will probably be abandoned by the era. However, this will not happen to CIMC Vehicles. The Company has been seeking to transform its manufacturing technology into an automation-based, information-centered and digital-oriented direction.

When CIMC Vehicles' technical director Shen Jianwen and Dr. Li Xiaofu prepared for the launch of the “Lighttower Project”, they had no idea what it would look like two years later. But there was something in their idea, CIMC Vehicle's technical upgrading route: to optimize the semitrailer manufacturing technology with vehicle production techniques, to gradually make its production more flexible and more digital and to bring the Group's trailer technology up to a world-leading level. In 2016, the first batch of products manufactured by the “Lighttower Plant” was exported to the US, and the Americans were shocked.

“This is a path of discovery for CIMC Vehicles to implement its 2025 strategy”, said David Li, Managing Director of CIMC Vehicles Group, “enterprises are very foundation for the ‘Made in China 2025’ strategy. CIMC Vehicles is an industrial leader, so if it does not have such visions, make such preparations and undertake such missions, it will be a shame.”

COMMON UNDERSTANDING: TECHNOLOGIES ARE MORE IMPORTANT THAN EVER

In the era of Internet, the stories of falls and rises in different sectors have revealed to us that, experience is not that important at all. On the contrary, new technologies and new business models are could suddenly outweigh experience in many cases, and make big troubles for those pioneers that have lived on experience.

Shi Wen, assistant to the general manager of the Group, said “technical innovations are more important than ever here. Today, China's cost advantages including the demographic dividend and raw material dividend are not that clear. Once the globalization balances these advantages out, something terrible may happen to ‘Made in China’ products. From this sense, the most important measure is to have our own technical barriers, and then reinforce them.”

In David Li's strategic planning, the higher-level globalization of CIMC Vehicles is to reasonably allocate its advantageous resources among its subsidiaries and subsidiaries worldwide on the basis of a balanced global layout, and it will be supported by digital technology. This is the common understanding reached among the management of the Group.

CIMC Vehicles has been focus on the improvement and upgrading of technologies. Over the past few years, it has been working to improve the technical performances of its products. Its black-plate vehicles, silver-plate vehicles and environmentally friendly vehicles, have ever been popular on domestic markets.

However, it is undeniable that CIMC Vehicles is created on the basis of CIMC's advantage in container industry. Therefore, its manufacturing principles and production methods basically follow the standard procedures and rules applicable for container companies. As CIMC Vehicles gets to know more and more about semitrailer markets and semitrailer technologies, it has realized that a semitrailer is not so simple as to just put wheels onto a container. CIMC Vehicles' technical director Shen Jianwen raises the technical principle to “manufacture semitrailers in the same way for making autos” after many years of technical practices. The essence of the technical principle is: the innovation is not for complete vehicles, and it should be a combined one for parts and components; with the use of high-precision parts and components to assemble a semitrailer, it is the modular production method. If the Group also uses automation and digital technologies to improve its production efficiency, it will fulfill the target of scale-based and standard production and satisfy the needs of customized and personalized products, and by doing so, the Group will be on the way to “flexible production”.

Jiang Qiwen, general manager of Shenzhen CIMC Special Vehicles Co., Ltd, says that what is being done is to make good preparations for the next 30 years of the Group. If there is no transformation, there will be no promising future.

After reaching the common understanding, CIMC Vehicles initiated the “Lighttower Project” in 2014. Initially, the Group intends to build a part and component manufacturing plant that will manufacture parts and components for complete vehicles in a modular way, and send them to the subsidiaries and subsidiaries all over the world for assembly according to the actual market needs. The Group's exploration coincides with the release of the “Industry 4.0” of Germany, the rise of the “reindustrialization” concept in the US, and the draw-up of the “Made in China 2025” strategy. It is now a common standing in the world to conduct the upgrading of the manufacturing industry. Experts even say that the fourth industrial revolution has already come. In this revolution, the world will step into the era featuring the intelligent manufacturing and intelligent products based on digital production. In the surge of the technical upgrading, CIMC Vehicles' closely follows the implementation of the national strategy and

the industrial trend, and keeps on benefiting from them. Since the inception, the “Lighttower Project” team has explored the automatic and digital production method, introduced advanced information control system theories from Siemens and ingenics, and studied the new knowledge around the clock so as to master and renovate them as soon as possible. David Li said “we have no idea what it would be in the end, but we know the direction is right, so we must have a try. And we must do something for the voyage, because the Lighttower has indicated the direction.”

ACHIEVEMENT: THE “LIGHTTOWER” HAS PRELIMINARY TAKEN EFFECT

It would be fair to say that the “Lighttower Project” is a visionary attempt, and also a pragmatic effort.

According to Dr. Li Xiaofu, team leader of the “Lighttower Project”, the project that costs **hundreds of millions of yuan** has a complete and systematic plan. It will be supported by three pillars. On the left, it is modular industrial design; on the right, it is automatic “Intent of Things” (IoT) equipment; in the middle, it is the information system that combines the left and the right.

In simple worlds, the project team will, based on its profound understanding of the manufacturing of semitrailers, study and design modules to meet the needs of different kinds of products and to be used for flexible combination. So far, it has initially developed modular designs for 8 sets of products, which could basically meet the needs of Tandem chassis products sold in the US market. Jiang Qiwen said that the design of modules for special vehicles was very challenging, because it is intended for global markets. However, different from those of cars, the functions of different kinds of semitrailers vary a great deal since different countries have different road transportation standards. Therefore, it is a tough job to modularize all semitrailers and then standardize them, and it requires many years of expertise in the industries.

Secondly, it is necessary to introduce a set of equipment that has interconnection features, and can carry out automatic operations such as cutting, feeding, welding and spray painting. The equipment will, after receiving instructions transmitted from the interconnection system, complete a series of production processes, and timely feedback its production status. So far, the Lighttower plant has imported 44 sets of robots. They can take the place of 45% of manual operations with higher standardization of processes and higher precision of products. With these robots, the production efficiency



can be improved by 66%, and the logistics efficiency can be improved by 90%. Li Xiaofu said “a good thing about the machine-based production is to have fixed experience and processes, lower the randomness, and reduce the reliance on manual operations. From the prospective of humanity, the equipment mostly deals with heavy tasks, so it can liberate our workers from the risk of dangerous working situations.”

Thirdly, the information control system that combines the design and the production equipment. The information system is interconnected with a physical system. Its core is the PLM system and the MES system. With the outwardly connected ERP system, it will tremendously improve the production efficiency of the plant through the seamless connection between operation, commissioning and information. The PLM system is the abbreviation of the product life-cycle management system. Its main function is to include all modular designs and processes, something like a database. Whenever an order comes, the PLM system will immediately analyze the

product information, automatically pick out the appropriate modular processes from the database, and send it to the EMS system. MES system is the abbreviation of the manufacturing execution system. It can directly use all automatic and interconnected equipment, organize and arrange production, and deliver finished products in the end.

In the “Lighttower Project” plan, if all the tree pillars are built, the whole Lighttower plant will be a fully transparent, automatic and digital workshop. Managers will be able to put the entire production processes under control in their computers, and find out what happened if there is any problem, and promptly fix it.

It is noteworthy that the Lighttower plant has innovatively introduced the KTL (kataphoresis-tauch-lackierung) technology into its production process. At present, the KTL technology is widely used in the car-making industry, but it is seldom used for semitrailers. The “Lighttower Project” team has successfully solved tough technical problems and applied the whole system to

the coating production line of the plant. For oily paint, this process has zero emissions of VOC and can raise the utilization rate of oily paint from 40% to 90%; for water paint, it can reduce the manufacturing cost by over 40%, multiply the coating quality of products, and extend the warranty period from 5 to 7 years to 10 years.

So far, the Lighttower plant has been formally put into operation. The project team is now working on the “gradeability commissioning and optimization of automatic IoT equipment, on the solution of problems of the whole production line to improve its efficiency, and on the research of the information system. The products manufactured by the Lighttower plant have been continuously shipped to the US since this July. Satisfactorily, they were well received by local users and industrial experts. Frank, CEO of CIE, one of CIMC Vehicles’ subsidiaries in the US, takes advantage of every opportunity to recommend and praise the products from the Lighttower plant. In his eyes, the products are superior to those of competitors in terms of cutting precision,

wear resistance, and surface smoothness. When Americans and Japanese visited the Lighttower plant, the foreigners that always worship the one with technical excellence immediately admitted that CIMC Vehicles was the leader of the industry, and some of them even claimed that CIMC Vehicles were redefining and repositioning the industry. At present, the Lighttower plant’s annual capacity of 30,000 sets of parts and components basically meets the needs of American markets for Tandem chassis.

With the success in the US market, now the Lighttower plants can expect more. Jiang Qiwen said “In the US, there is only market for existing businesses; the Lighttower plant will target at the markets with business increment potential, such as the European market that has the world’s most rigorous standards, and even the global market.”

FUTURE: FROM “LIGHTTOWER PROJECT” TO “MAGELLAN PROGRAM”

Initially, the “Lighttower Project” was initiated

on the basis of real market demands, and with the existing marketing demands in the US, the Project was mainly about the “provision of parts and components”. From the perspective of the upgrading of technologies, CIMC Vehicles did not have big ambitions. However, during the process of the implementation, the constant technical improvement, especially after the Project was shifted to fulfill the mission of digitalization of technologies, the Group raised its understanding of the future upgrading of technologies to a higher new level. Therefore, the “digital coaching workshop” was established, and CIMC Vehicles named it as the “Magellan Scheme”. This means that on the basis of the achievements made in the implementation of “Lighttower Project”, the Group has clearly known the development tendency of digital production; under the guidance of the “Magellan Program”, the Group will, brave the winds and waves and sail for new accomplishments.

For David Li, “digital coaching workshop” will be a real attempt to explore the digital technology. Since the “Lighttower Project”

costs hundreds of millions of yuan, it heavily relies on the achievements to be made on real markets. But the “coaching workshop” that costs less is more like a lab, in Which CIMC Vehicles will carry out diversified tests, check various possibilities, summarize different findings, and of course take the risks of mistakes. If a test is successful, it can be immediately copied to CIMC Vehicles’ production lines of the same type across the world, and it is really something to look forward to.

In David Li’s mind, CIMC Vehicles will invest 1 to 1.5 billion yuan on the upgrading of its digital technologies in next 5 years, meaning that there will be the digital upgrading of the connotation of current production lines. The major target is that, through the digital technological exploration, its production efficiency will be doubled; under the condition of the same resources, its production value will be doubled; its employees’ working efficiency will be effectively improved, and their sense of happiness will be further enhanced.

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Precedent for Perseverance

——《Global Trailer》Exclusive Interview with David Li

(Editor's note):

Global Trailer is affiliated to Prime Creative Media, and it was created in Australia. Global Trailer is the first business publication dedicated to the international trailer scene, a crucial business resource for trailer industry managers and executives. It has considerable influence in the European and American trailer industries.

Global Trailer had an exclusive interview with David Li, Managing Director of CIMC Vehicles Group. The reporter and Li had in-depth communication about the strategy of the enterprise, the development of the industry, the study and judgment of the markets and future tendencies. It is considered to be the most thorough interpretation of CIMC Vehicles' globalization strategies by professional media outlets in recent years. The exclusive interview was published as a cover story in the 30th special issue of Global Trailer. Also, Global Trailer also released the List of Top 30 Trailer Builders in the 30th Issue. CIMC Vehicles ranked the first place with sales volume of 100,300 in the year of 2015, 36,000 units more than the No. 2 company did. CIMC Vehicles takes the first place with overwhelming advantage.

On the quest to becoming the first truly global organization in the history of trailer manufacturing, CIMC Vehicles has learned that staying true to a grand vision doesn't preclude strategic flexibility.

David Li, General Manager of CIMC Vehicles, the trailer building arm of China's International Marine Container (CIMC) Group, isn't quite what you'd expect of a man who has built a €1.93 billion industrial empire from the bottom up.

Distinctly humble in his bearing and refreshingly unpolished in his language, the industry veteran is enveloped in an aura of authenticity and adventure that is much more silicon Valley than Shenzhen Special Economic Zone (the official jargon for a giant business incubation area the Chinese government has set up across the bay from Hong Kong to help local businesses connect more easily with the western world).

As such, there is nothing imperious about Li laying out his plan to build the world's first international trailer building company – only genuine excitement in an idea so captivatingly grand that it

would arguably suit an intrepid start-up more than asset-rich manufacturing firm operating in a time of extreme economic volatility.

Understanding the phenomenon that is CIMC Vehicles is therefore not so much a question of mapping out the business itself as it is one of getting to know the man behind it – a scenario akin to US start-up Tesla, which is largely dependent on the drive and vision of flamboyant Chief Executive, Elon Musk.

Quietly spoken and with a habit of pausing briefly before responding to a question, David Li might not subscribe to the analogy, but there is a lot the Chinese trailer OEM and the Californian electric vehicle company have in common: Each is led by an enthusiastic, entrepreneurially thinking individual, both hope to disrupt a highly diversified mass market by outperforming a group of long established, slow moving behemoths; and both have a vision that is transcending the realm of industrialization.

As a result, Li is regularly forced to break new ground and venture into uncharted territory where risk is

好收成 好收入 好生活

growing exponentially to yield and setbacks must be tolerated as a natural side effect of entrepreneurial audacity. With that in mind, it is telling that Li is quoting a Musk favourite – Leonardo Da Vinci – to explain CIMC Vehicles’ evolution over the past half-decade or so. With global vision and broad horizon, he taps into the ancient wisdom of the world with the hope to revolutionise it.

“Obstacles cannot crush me, as every obstacle yields to stern resolve,” he says with a youthful smile that doesn’t quite reveal the sincerity behind the message, and eloquently disguises what he is really trying to say – that CIMC Vehicles has been plagued by growing pains of late and found itself impaired by a challenging political environment that doesn’t quite allow for the kind of rampant expansion that made Chinese manufacturing flourish in the first place.

But, what it also says is that Li is more convinced than ever to grow CIMC’s trailer building arm into a world-spanning empire that will bring corporate globalization to a market traditionally considered un-scalable. The near-constant surge of political, economic and social crises he had to overcome since he took on the job in 2003 may have changed his game plan along the way, but they didn’t quite manage to move the target itself.

GT: Why do you think going global is widely considered unattainable for a trailer manufacturing business? The automobile industry has mastered globalization long ago, after all.

LI: You can’t compare the two. A car is relatively easy to standardise, but there is no standard trailer, unfortunately – you have to take it region by region. That’s why it’s a lot harder to create the same economies of scale, and with it the same profit margin and supply chain efficiency.

GT: So why bother at all?

LI: That’s a valid question. Our venture in southern Germany has shown that going global is risky and expensive, but I think we’re getting very close to cracking the code. Even though it might make me sound naïve, I think there is something incredibly inspiring about trying to build a global operation – regardless of the challenges that come with. Thinking globally is empowering, there’s something extremely energetic about it. If you’re just focusing on the domestic market and follow the same business cycle over and over again, there is no true progress. I hope by exploring how to make trailer building work at a global scale – against all odds – we can inspire the entire automotive community.

For Li, last year’s sale of a fully functional factory in southern Germany – which the company never officially moved into – was one such game-changing moment. After taking over Dutch OEM Burg and forming a new stand-alone brand named Silvergreen, he had hoped to use the

135,000m² facility to produce semi-trailers for the European market, but shelved the project in mid-2014 when he recognized that servicing the old continent from one central location would prove too complex and, therefore, too costly to formulate a unique selling point.

It was a major setback on the way of global operation of CIMC Vehicles. Li says it “hurt” when he realized project Silvergreen would not come to fruition in the same way a 2003 venture dubbed Vanguard worked for the US market. “I felt lost after Silvergreen, it wasn’t a good time,” he says with the same, inscrutable smile. “We had a plan and thought we had done our due diligence, but we didn’t quite understand the actual dynamics of the European market until we got there – and by then it was too late.”

GT: What does that strategy look like now?

LI: The goal is still to build a global operation by tapping into local knowledge with strong regional brands such as Vanguard for the US and now SDC for the UK – that’s always been our value proposition. What we’ve learned, though, is that you cannot see Europe as a single, unified market – you need to be even more regional in your thinking.

Much like South African Musk, who almost went broke in 2009 when trying to scale up Tesla while rolling out space exploration company SpaceX, Li went

on to cut his losses and find a new way to make his dream come true in Europe. Following a very Silicon Valley-esque ‘fail fast’ ethos, he is now focusing on “regionality” instead of manufacturing logistics and economies of scale. While not supposed to negate his grand vision, CIMC Vehicles’ revised plan of attack places more value on local specifications and preferences, he explains, while scale is to be created on the backend with view to finance, design and business administration.

“Instead of servicing a whole continent from one central location, we have split Europe into four key regions that can be served by four “local” businesses covering the north, east, south and west,” he says – revealing that the west will be serviced by LAG, a Belgian company that joined the CIMC stable as part of the Burg deal, while the east will soon be covered by a new brand that is expected to emerge from the ashes of the Silvergreen project and operate out of Poland.

While the south is officially still unaccounted for, Li says the north will be covered by CIMC Vehicle’s latest acquisition, Irish company SDC trailers. The €112 million acquisition will help it serve the UK, Ireland and Scandinavia, and might also support the company’s expansion in the Middle East, Li explains – admitting that the regional reshuffle is still very much in project stage.

However, Li’s quick and decisive response to the Silvergreen debacle in Europe has already attracted many a comment on his leadership style, with some considering him a hopeless romantic who doesn’t quite grasp the limitations of trailer manufacturing, and some admiring him for not giving up on the grand vision of building the first globally operating trailer brand in history.

GT: In line with that, how have you dealt with all the crises you had to face around the world, from the Eurozone meltdown and the recent stock market rout in China all the way through to Brexit?

LI: By not losing sight of our original plan and vision and continuing to diversify regionality. The good thing of a broad global operation is that well performing markets usually help balance our pockets of slow growth, which is why our revenue remained almost unchanged since we last spoke, even though there were several major setbacks in certain regions during this period. By the way, what has changed is the share of revenue coming from overseas – which is a good sign that we made progress in becoming more global and proof that you need to stick with your goal if you want to find last success.

In stark contrast to Musk, however, US-educated Li is only just exploring how to bring high technology to a strongly commoditised market. After recalibrating his expansion play for Europe, and with the US operation going so well that Vanguard had to commission a whole new factory (see breakout box), Li says Industry 4.0 and digitalisation are next on his agenda.

To investigate the trend and ensure CIMC Vehicles is ready to embrace the digital age, Li has installed a cross-departmental taskforce comprised of trusted Chinese businessmen and acclaimed experts from Siemens, Cisco and McKinsey. The – interim – result of that effort may not be quite as headline-making as the Tesla project, but as opposed to Musk’s futuristic ventures, David Li has consistently operated in the black over the past half-decade, generating a solid €88.9 million profit in 2015 – despite a severe slowdown of the Chinese domestic market and substantial investment in additional production capacity in both North America and China.

As such, it’s safe to say the ever-expanding CIMC Vehicles empire is quickly gaining ground on its peers in the automobile industry – with David Li adopting a mind-set Jim Cantrell, SpaceX’s first engineer, also noticed in his Californian counterpart: “Most of us can’t conceive these things working, while he can’t conceive them failing.”

MILESTONES OF CIMC VEHICLES GROUP

Writer | Luding Zhang

In December 1999, CIMC's CEO and President Mai Boliang formally proposed in his millennial plans the new development strategy with the provision of equipment and services for modern transportation as the core at the working conference of the Group. Later, Mr. Mai successfully came up with specific thoughts about the development of Trailer business.



In 2002

On April 16, 2002, CIMC held semitrailer products launching conference at Ming Wah International Convention Centre, Shekou, Shenzhen. At the conference, President Mai Boliang announced the formal start of the special vehicles program, a business of strategic importance for the Group's second level of development. And CIMC got its first semitrailer order on domestic market at the conference.



In 2003, under the guidance of the strategic thoughts to make scientific plans and reasonable allocations and to achieve regional coverage and uniform standards, CIMC Vehicle acquired a number of major players in China domestic special vehicle industry, including Yangzhou Tonghua, Zhumadian Huajun, and Jinan Kogel, which preliminarily made the Group rise in its strategic status in China's special vehicles industry.

In May, CIMC USA, a wholly owned subsidiary of the Group in North America, was established. With it, CIMC Vehicles successfully acquired HPA Monon, the eighth largest trailer manufacturer in the US ever, marking the start of CIMC Vehicles Group's implementation of global operation strategy.

September 2003: Shenzhen CIMC Special Vehicles Co., Ltd. held the foundation laying ceremony for its production facility at Pingshan Town, Longgang District, Shenzhen, marking that the core member in the entire strategic layout formally stepped on the way of development.

With these efforts, CIMC Vehicles Group quickly established its competition advantages on domestic and foreign special vehicles markets. As of November 30, 2016, CIMC Vehicles Group has established 25 production facilities that could meet the demands of clients in North America, Europe, Australia, the Middle East, Southeast Asia and Chinese mainland, preliminarily created the cross-border business operation layout that features global interaction, reasonable distribution, mutual complement and sharing of resources, and boasted annual production capacity of 200,000 special vehicles.

In July 2003, CIMC Vehicles successfully won the order for 13,000 container transportation semitrailers from Maersk Line, the world's largest container shipping company. This order was the largest of the year, and it has been the largest ever in China so far, representing that CIMC Vehicles' semitrailer products successfully made inroad into international markets.



2004

In June 2004, with the approval from National Development and Reform Commission and the State Administration for Industry and Commerce, CIMC Heavy Machinery Co., Ltd. formally changed its name to CIMC Vehicles (Group) Co., Ltd., meaning that CIMC Vehicles' businesses were to be conducted in a group management structure.

In July, with the approval from National Development and Reform Commission, CIMC Vehicles was appointed as the one and only special vehicles pilot manufacturer in China, and given the catalogue destination number of "ZY001" and the product bulletin number and other resources would be shared within the Group, meaning that the importance of CIMC Vehicles and its products were lifted up to a national level.

On October 22, 2004, CIMC Vehicles held its first international seminar themed with the Inland Logistics of North America in Shenzhen in order to positively expand businesses on North American markets and create a platform that was more positive and beneficial for the sharing of information and for mutual communication between CIMC Vehicles and its business partners, and this became the beginning of a series of seminars on overseas semitrailer markets.



On January 21, 2005, CIMC established Shanghai CIMC Vehicles Logistics Equipment Co., Ltd, the country's first 4S shop for special vehicles.

Afterwards, CIMC Vehicles intensified its efforts to build and extend its domestic marketing service network, and gradually formed the marketing service expansion layout of taking the major cities of different regions as important bases and the "Wal-Mart" park as the development pattern, and featuring the combination of single service station and regional service centers and then forming a full coverage. So far, CIMC Vehicles has established 3 regional central shops, 25 provincial shops, over 600 service stations, so that clients could enjoy one-stop valued added services including purchasing, financing, insurance, maintenance, inspection, plate applications, and provision of spare parts within the lifetime of their vehicles.



2005

In April 2006, China's Ministry of Transport released the list for the first group of road cargo transportation vehicles and combination of vehicles. Among the 24 vehicles that were recommended to the public by the top competent authority, six of vehicles produced by CIMC Vehicles were included in the list. This was the first time that the products manufactured by the CIMC Vehicles were recognized by the government, and promoted its reputation in national and international markets.



In April 2007, CIMC Vehicles began its very first operation in Australia – the establishment of CIMC Vehicle Australia. And with it, CIMC Vehicle acquired Australia's most powerful tank truck manufacturer – Marshall Lethlean Industries.

In May, CIMC Vehicles extended its reach to South Asian markets, and invested to build its production facility – CIMC Vehicles Thailand.

In June, CIMC Vehicles marched into the European markets, and acquired LAG Trailers N.V, a Belgium company specialized in the production of tank trucks.

In April 2008, CIMC Vehicles acquired and restructured American DCLLC Company. With this acquisition, the Group established itself in the Tandem chassis markets of North America and began to stride along the road of global operation.



2007

In March 2009, CIMC Vehicles' Semitrailer Research Institute was established. This was the first product technology R&D organization established by a business segment under CIMC. In January 2010, with the unveiling world's largest semitrailer road simulation test laboratory of the Semitrailer Research Institute, CIMC Vehicles' vehicles successfully a world's leading vehicles test center with total investments of RMB60 million. The Institute is a professional and positive R&D center, and it lays solid foundations for CIMC Vehicles to grow into a world-class company.

In September 2009, CIMC Reefer Trailer Inc., a subsidiary specially serving users in American and Mexican markets, was established in the US, and its production facility was formally put into operation in the same period. With it, CIMC Vehicles' business in North America entered a comprehensive development stage.



As of December 31, 2010, CIMC Vehicles Group sold 155,300 special vehicles of different kinds in total, for the first time above 150,000 units. This was the highest sales volume of special vehicles since 2004.



2010

On March 20, 2010, CIMC Vehicles held its election of new members of the board of directors. CIMC's CEO and President Mai Boliang was elected the chairman, and CIMC's Vice President Li Yinhui was elected the vice chairman.

According to the resolution of the board of directors, David Li was appointed the managing director of CIMC Vehicles Group.

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As of December 31, 2011, CIMC Vehicles Group achieved sales revenue of RMB17.6 billion in total, for the first time above RMB17 billion, and also a profit of RMB756 million. This was a record high in terms of annual sales revenue and profit since 2004.



2011

In March 2012, at the invitation of ACT Research, a recognized leading commercial transportation research center in North America, David Li attended its 46th seminar, and delivered the keynote speech Global Operation Local Knowledge. This was the first time that a Chinese special vehicles manufacturer ever spoke at the ACT seminar, a very influential event in the commercial vehicles business of North America, meaning that CIMC Vehicles had its brand highly recognized on local markets.

In the same year, according to Trailer Builder, an American publisher of everything about trailers, CIMC Vehicles ranked the fifth place in American special vehicles business.

On April 19-20, 2012, the 7th Statutory Congress of China Association of Automobile Manufactures was held in Beijing. CIMC Vehicles, the only one in the special vehicles industry, together with other automobile, motor, and parts and components manufacturers and R&D centers, was elected vice chairman unit of the 7th Council, and David Li was elected vice chairman.



In November 2013, CIMC Vehicles' CIMC-Silvergreen won the European Transport Award for Sustainability, and then the European Business Awards for the Environment from the European Commission.



2013

In March 2014, CIMC Vehicles held its 9th "Global Semitrailer Seminar" in Las Vegas. The Seminar, under the theme of "Using Global Wisdom from wider perspectives", was attended by 400 participants from different countries and regions. This was the first time that the Seminar was held overseas. At the Seminar, CIMC Vehicles and its global partners discussed how to develop global operation concepts and how to practice them from wider perspectives.



According to ACT Research's *Global Trailer Market Analysis & Forecast 2015 Update*, and the *2015 Trailer Builders The World's Top 30* published on the 30th issue of *Global Trailer*, the most influential media in the world's trailer industry, CIMC Vehicles ranked the first place with sales volume of 100,300 in the year of 2015, accounting for about 11.4% of the world's total. This was the first time that CIMC Vehicles made it to the top.

Also in 2015, CIMC Vehicles' sales revenue on overseas markets amounted to RMB7.2 billion, accounting for 54% of the Group's total and exceeding that from domestic market for the first time.

In April 2015, the construction of the first phase project for Dongguan Lighttower Plant in the advanced parts and components manufacturing center of CIMC Vehicles, formally started at Wangniudun Town of Dongguan. Its production capacity is equivalent to over 30,000 complete vehicles a year. The Lighttower plant features digitalization of production management, flexible and automatic production and environmentally-friendly production processes. Now, it has become the benchmark for the upgrading of CIMC Vehicles' manufacturing technologies.



2014

In June 2016, CIMC Vehicles Group acquired Retlan Manufacturing Limited at £91.7 million. Retlan is UK's biggest semitrailer manufacturer. After Retlan became a new member of the CIMC Vehicles Group, the total sales volume in Europe exceeded 11,000 units, lifting the Group to the third place on European special vehicles markets. This has laid solid foundation for CIMC Vehicles to further expand its business growth on European markets, and to maintain its leading position in the world's semitrailer industry.



In October 2015, CIMC Trailer Poland sp.z.o.o. had a short but grand opening ceremony at Gdynia, a city in the Pomeranian Voivodeship of Poland. This was an important milestone for CIMC Vehicles' return to the European markets, and a big move successfully operated under the guidance of "Global Operation Local Knowledge".

At the end of 2015, CIMC Vehicles Group finalized its agreement with three strategic investors: Ping An, Nanshan, and Sumitomo. The three groups acquired newly issued shares worth of RMB1.25 billion altogether. The introduction of strategic investors has created a diversified yet well-balanced multi-shareholder structure, and made the Group's global operation and strategic decision-making more scientific, reasonable and efficient.



2015

2016