THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **CIMC-TianDa Holdings Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CIMC | TianDa

CIMC-TianDa Holdings Company Limited
中集天達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN ALBERT ZIEGLER GMBH AND NOTICE OF EGM

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

中孚

中孚資本有限公司
HOLOGRAM CAPITAL LIMITED

Capitalised terms used on this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 14 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 33 of this circular.

A notice convening the EGM to be held at Boardroom 5, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 11 December 2019 (Wednesday) at 2:00 p.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinafire.com.cn). Whether or not you are able to attend the EGM, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, being not less than 48 hours (i.e. 9 December 2019 at 2:00 p.m.) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

19 November 2019

CONTENT

DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
"Allied Best"	Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd.* (萃聯(中國)消防設備製造有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
"Announcement"	the announcement of the Company dated 26 September 2019 in relation to, among other matters, the Acquisition
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	British Virgin Islands
"CIMC"	China International Marine Containers (Group) Co., Ltd.* 中國國際海運集裝箱(集團)股份有限公司, a joint stock company established in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2039) and the Shenzhen Stock Exchange (stock code: 000039)
"CIMC Group"	CIMC and its subsidiaries
"CIMC Tianda Airport Support"	Shenzhen CIMC-Tianda Airport Support Co., Ltd.* (深圳中集天達空港設備有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
"CIMC Tianda (Shenzhen)"	CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of CIMC

"Company"	CIMC-TianDa Holdings Company Limited 中集天達控股有限公司, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 445)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	on or before the tenth (10th) Business Day after the date of fulfillment (or waiver) of the conditions precedent under the Sale and Purchase Agreement or such other date as the parties shall agree in writing
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	a sum of EUR31,470,000, being the purchase price for the Sale Shares
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at Boardroom 5, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 11 December 2019 (Wednesday) at 2:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Ziegler Group upon Completion
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huijie"	Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of CIMC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, which has been established by the Board for the purpose of advising the Independent Shareholders on the terms of the Sale and Purchase Agreement

"Independent Financial Adviser"	Hologram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than: (i) the Vendor, CIMC and their respective associates; and (ii) any Shareholders who are interested or have a material interest in the Sale and Purchase Agreement, who shall be required under the Listing Rules to abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM
"Latest Practicable Date"	14 November 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"P/E Ratio"	the price-to-earnings ratio
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	China Fire Safety Enterprise Group Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Pteris"	Pteris Global Limited, a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 26 September 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition

"Sale Shares"	such number of issued shares in Ziegler, representing 60% equity interest in Ziegler, which is beneficially owned by the Vendor as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Jindun"	Shanghai Jindun Special Vehicle Equipment Co. Ltd.* (上海金盾特種車輛裝備有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
"Shanghai Jindun Fire-Fighting"	Shanghai Jindun Fire-Fighting Security Equipment Co., Ltd.* (上海金盾消防安全設備有限公司), a company established in the PRC with limited liability
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sharp Vision"	Sharp Vision Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of CIMC
"Shengyang Jietong"	Shenyang Jietong Fire Truck Co., Ltd.* (瀋陽捷通消防車有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tongchuang"	Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司), a company established in the PRC with limited liability and an indirect non wholly owned subsidiary of CIMC
"Vendor"	CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability and an indirect wholly-owned subsidiary of CIMC
"Wang Sing"	Wang Sing Technology Limited, a company incorporated in the BVI with limited liability and a direct wholly owned subsidiary of the Company

"Ziegler"	Albert Ziegler GmbH, a company incorporated in Germany with limited liability and is owned as to 60% by the Vendor and 40% by the Purchaser as at the Latest Practicable Date
"Ziegler Group"	Ziegler and its subsidiaries
"EUR"	Euro, the lawful currency of the European Union
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

Unless otherwise stated, the exchange rates of EUR1.00 to RMB7.7962 are used in this circular for illustration purpose only. No representation is made that any amounts in EUR or RMB could be converted at such rates or any other rates.

* *For identification purpose only*

CIMC-TianDa Holdings Company Limited
中集天達控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 445)

Non-executive Directors
Dr. Li Yin Hui *(Chairman)*
Mr. Yu Yu Qun
Mr. Robert Johnson

Executive Directors:
Mr. Jiang Xiong *(Honorary Chairman)*
Mr. Zheng Zu Hua
Mr. Luan You Jun

Independent non-executive Directors:
Dr. Loke Yu
Mr. Heng Ja Wei
Mr. Ho Man

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Units A-B, 16/F
China Overseas Building
No 139 Hennessy Road
Wan Chai, Hong Kong

Principal place of business in the PRC:
No. 9, Fuyuan 2nd Road
Fuyong, Baoan District
Shenzhen, PRC

19 November 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN ALBERT ZIEGLER GMBH

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Acquisition.

On 26 September 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor (an indirect wholly-owned subsidiary of CIMC) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 60% equity interest in Ziegler, for a consideration of EUR31,470,000 (equivalent to approximately RMB245,346,000).

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out their advice in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; and (iv) a notice of the EGM.

THE ACQUISITION

The principal terms of the Sale and Purchase Agreement are set out below:

The Sale and Purchase Agreement

Date: 26 September 2019

Parties: (i) the Purchaser, as purchaser; and

(ii) the Vendor, as vendor.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor is an indirect wholly-owned subsidiary of CIMC, which is the controlling shareholder of the Company. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

The CIMC Group is principally engaged in (i) the manufacture of containers, road transportation vehicles, energy, chemical and liquid food equipment, offshore engineering equipment, airport facilities equipment and fire engines and firefighting equipment as well as the provision of relevant services; and (ii) logistics service, industrial city development, finance and other businesses; whereas the Vendor is principally engaged in investment holding. As at the Latest Practicable Date, the Vendor's subsidiaries, save for the Ziegler Group, are principally engaged in the provision of design and engineering services, specialising in floating mobile units for the offshore oil and gas industry.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 60% equity interest in Ziegler. As at the Latest Practicable Date, Ziegler is owned as to 60% by the Vendor and 40% by the Purchaser.

Consideration

The Consideration is EUR31,470,000 (equivalent to approximately RMB245,346,000), which shall be payable by the Purchaser to the Vendor or its nominee by way of cash (or other kind of consideration as may be agreed by the Purchaser and the Vendor) within one year from the Completion Date. In the event that the Consideration is to be satisfied by the Purchaser, whether wholly or partly, by way of other kind of consideration, for example by way of the issue of promissory note(s), further announcement will be made by the Company in compliance with the Listing Rules as and when appropriate. As at the Latest Practicable Date, no negotiation in respect of the payment of Consideration other than by way of cash has been made between the parties.

The Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement on normal commercial terms, after taking into account, among others, (i) the consolidated financial results of the Ziegler Group in recent years; (ii) the previous consideration of HK$489,428,572 for the acquisition of 40% equity interest in Ziegler and 40% of all the amounts owed by Ziegler to the Vendor by the Purchaser from the Vendor; (iii) the average prevailing P/E Ratio of approximately 22.86 times of five comparable companies listed on various stock exchanges; and (iv) the business and development prospects of the Ziegler Group. It is expected that the Consideration will be funded by internal resources of the Group and/or bank borrowings.

The Consideration represents the P/E Ratio of the Ziegler Group of approximately 12.58 times based on the average profit of approximately EUR4,169,000 for the two years ended 31 December 2017 and 2018.

In order to assess the fairness and reasonableness of the Consideration, the Board had taken into account the P/E Ratio of five comparable companies. P/E ratio is an analysis tool commonly used by the market and investors when assessing the value of a company. The comparable companies identified are (i) currently listed on the stock exchanges in Europe, the United States, Japan and the PRC and (ii) engaged in the production and sale of firefighting and rescue vehicles and firefighting equipment, which to the best of the Directors' knowledge, represent a close comparison to that of the Ziegler Group. Set out below is the comparable companies analysis:

Company name	Stock code	Stock exchange	P/E Ratio as at the date of the Sale and Purchase Agreement (times) *(Note)*
Morita Holdings Corporation	6455	Tokyo Stock Exchange	12.75
Rosenbauer International AG	ROS	Vienna Stock Exchange	10.54
Oshkosh Corporation	OSK	New York Stock Exchange	11.7
REV Group Inc	REVG	New York Stock Exchange	54.9
Weihai Guangtai Airport Equipment Co., Ltd.	002111	Shenzhen Stock Exchange	24.39

Note: The P/E Ratios are based on the market capitalisation as at the date of Sale and Purchase Agreement and the latest published profit attributable to owners of the comparable companies.

As illustrated in the table above, the P/E Ratio of the comparable companies ranges from a minimum of approximately 10.54 times to a maximum of approximately 54.9 times with an average of approximately 22.86 times and a median of approximately 12.75 times. The P/E Ratio of the Ziegler Group of approximately 12.58 times is lower than the average and median of the comparable P/E range. Based on the above, the Board considered the Consideration was determined based on normal commercial terms, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

(i) the passing of the resolution by the Independent Shareholders at the EGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendor and Ziegler in respect of the Acquisition having been obtained;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition having been obtained;

(iv) the warranties given by the Vendor remaining true and accurate and not misleading from the date of the Sale and Purchase Agreement and up to the Completion Date;

(v) there being no material adverse changes on any member of the Ziegler Group since the date of the Sale and Purchase Agreement; and

(vi) there being no event, fact or circumstances which would result in a breach or possible breach of the warranties by the Vendor.

The Purchaser may at any time waive any of the conditions as set out in (iv), (v) and (vi) above by notice in writing to the Vendor and all other conditions precedent are incapable of being waived by the parties to the Sale and Purchase Agreement.

If the above conditions have not been satisfied or waived (as the case may be) on or before 12:00 noon on 31 January 2020, or such later date as the Vendor and the Purchaser may agree in writing, the Sale and Purchase Agreement shall cease and determine, and thereafter none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the conditions above has been satisfied.

Completion

Completion shall take place on or before the tenth (10th) Business Day after the fulfillment (or waiver) of all the conditions precedent of the Sale and Purchase Agreement, or such other date as the Vendor and the Purchaser may agree.

INFORMATION ON THE ZIEGLER GROUP

Ziegler is a company incorporated in Germany with limited liability and the holding company of a number of operating subsidiaries incorporated in Germany, Netherlands, Italy, Czech Republic, the PRC, Indonesia and Croatia. As at the Latest Practicable Date, Ziegler is owned as to 60% by the Vendor and 40% by the Purchaser.

The Ziegler Group is principally engaged in the production and sale of firefighting and rescue vehicles and other firefighting components as well as the provision of relevant after sales services.

Financial information of the Ziegler Group

Set out below is the financial information of the Ziegler Group based on the audited consolidated financial statements of Ziegler, prepared in accordance with the Hong Kong Financial Reporting Standards, for the two years ended 31 December 2017 and 2018, and the six months ended 30 June 2019:

	For the year ended 31 December 2017	**For the year ended 31 December 2018**	**For the six months ended 30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*
Revenue	232, 883	202,553	101,749
Profit/(loss) before taxation	7,899	3,469	(4,743)
Profit/(loss) after taxation	6,055	2,283	(3,190)

The audited total assets, total liabilities and net assets of the Ziegler Group as at 30 June 2019 were approximately EUR229,297,000 (equivalent to approximately RMB1,787,645,000), EUR161,689,000 (equivalent to approximately RMB1,260,560,000) and EUR67,608,000 (equivalent to approximately RMB527,085,000) respectively.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, for illustration purpose only, assuming Completion had taken place on 30 June 2019, (i) the total assets of the Group as at 30 June 2019 would have increased by approximately RMB1,229,294,000, from approximately RMB7,781,479,000 to approximately RMB9,010,773,000; and (ii) the total liabilities of the Group as at 30 June 2019 would have increased by approximately RMB1,513,309,000, from approximately RMB4,202,679,000 to approximately RMB5,715,988,000.

As stated in the notes to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, given that the Group and the Ziegler Group are under the common control of CIMC both before and after the Acquisition, the Acquisition will be accounted for as a business combination under common control and the principles of merger accounting will be adopted. As such, the carrying value of the assets and liabilities of the Ziegler Group would not be adjusted to their fair values upon completion of the Acquisition.

For further details of the financial effects of the Acquisition as stated above, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular.

Earnings

Upon Completion, the Purchaser will be interested in the entire equity interest in Ziegler. As such, Ziegler will become a wholly-owned subsidiary of the Company and the financial information of the Ziegler Group will be consolidated into the consolidated financial statements of the Group. As the Acquisition will be accounted for as a business combination under common control and the principles of merger accounting will be adopted, the financial results of the Ziegler Group will be consolidated into the consolidated statement of profit or loss of the Group since the date when the Group and the Ziegler Group became under the common control of CIMC. In light of the potential future benefits and prospects of the Acquisition as stated in the section headed "Reasons for and the benefits of the Acquisition" below, the Directors are of the view that, the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Ziegler Group.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Purchaser, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding. The Group is principally engaged in production and sale of fire engines, the production and sale of fire prevention and fighting equipment, the design and sale of mobile fire stations and emergency rescue stations, the design and manufacturing of passengers boarding bridges and auto stereoscopic parking systems, and the provision of integrated solutions of airport facility equipment, including airport logistic systems (baggage handling and material handling) and ground support equipment.

As disclosed in the annual report of the Company for the year ended 31 December 2018, in order to speed up the development of the fire engines and fire equipment business and to better serve the customers, the Group has been powering up its products and service development capability, enriching its product portfolio and extending its geographical range partially through acquisitions.

The Ziegler Group is a globally renowned fire engines manufacturer known for its high-quality craftsmanship as well as its technological leadership in customised fire trucks and firefighting equipment. It also has a significant market share in the European market. The Directors consider that the Acquisition represented an opportunity to consolidate the equity interest in the Ziegler Group as well as its revenue and profit contributions, and to streamline the development strategies of the Group's fire safety business in the global market.

Based on the above factors, the Directors (including the independent non-executive Directors) believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are the Directors nominated by CIMC and have therefore abstained from voting on the relevant resolution(s) of the Board approving the Acquisition, none of the other Directors has material interest in the Acquisition and is required to abstain from voting on the relevant resolution(s).

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of CIMC, which is the controlling shareholder of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction on the part of the Company.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, being all the independent non-executive Directors, has been established to give a recommendation to the Independent Shareholders in respect of the Acquisition as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser has been appointed with approval of the Independent Board Committee to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and to advise the Independent Shareholders on how to vote at the EGM.

EGM

The EGM will be convened and held at Boardroom 5, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 11 December 2019 (Wednesday) at 2:00 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The voting in respect of the Acquisition at the EGM will be conducted by way of poll. Given that each of the Vendor and Sharp Vision is an indirect wholly-owned subsidiary of CIMC and as at the Latest Practicable Date, (i) the Vendor is interested in 1,223,571,430 Shares, representing approximately 7.84% of the entire issued share capital of the Company; (ii) Sharp Vision is interested in 6,755,369,842 Shares, representing approximately 43.26% of the entire issued share capital of the Company; the Vendor, Sharp Vision, CIMC and their respective associates shall abstain from voting on the resolutions approving the Acquisition at the EGM. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours (i.e. 9 December 2019 at 2:00 p.m.) before the time appointed for holding of the EGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so desire.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

RECOMMENDATIONS

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Shareholders are advised to read carefully the letter from the Independent Board Committee regarding the Sale and Purchase Agreement on pages 15 to 16 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 17 to 33 of this circular, considers that the terms of the Sale and Purchase Agreement are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
By the order of the Board
CIMC-TianDa Holdings Company Limited
Li Yin Hui
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement:

CIMC-TianDa Holdings Company Limited
中集天達控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 445)

19 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
60% EQUITY INTEREST IN ALBERT ZIEGLER GMBH**

We refer to the circular of the Company dated 19 November 2019 (the "**Circular**"), of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider whether the terms of the Sale and Purchase Agreement are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Hologram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 14 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of whether the terms of the Sale and Purchase Agreement are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and the Independent Shareholders on how to vote.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 17 to 33 of the Circular, we are of the opinion that the Sale and Purchase Agreement are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Dr. Loke Yu	**Mr. Heng Ja Wei**	**Mr. Ho Man**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Hologram Capital Limited to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.

中孚資本有限公司
HOLOGRAM CAPITAL LIMITED

HOLOGRAM CAPITAL LIMITED
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19 November 2019

To the Independent Board Committee and the Independent Shareholders of CIMC-TianDa Holdings Company Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN ALBERT ZIEGLER GMBH

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder, i.e. the Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in this circular (the "**Circular**") dated 19 November 2019 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 26 September 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor (an indirect wholly-owned subsidiary of CIMC) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 60% equity interest in Ziegler, for a consideration of EUR31,470,000 (equivalent to approximately RMB245,346,000).

As at the Latest Practicable Date, Ziegler is owned as to 60% by the Vendor and 40% by the Purchaser. Upon Completion, the Purchaser will be interested in the entire equity interest in Ziegler. As such, Ziegler will become a wholly-owned subsidiary of the Company and the financial information of the Ziegler Group will be consolidated into the consolidated financial statements of the Group.

As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of CIMC, which is the controlling shareholder of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction on the part of the Company.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, being all the independent non-executive Directors, has been established to give a recommendation to the Independent Shareholders in respect of the Acquisition as to whether the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole. We, Hologram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Our employees (including one of our responsible officers) had worked for China AF Corporate Finance Limited who had previously acted as an independent financial adviser to the Company regarding its (i) major and connected transactions (details of which are set out in the circular of the Company dated 16 October 2018); and (ii) continuing connected transactions (details of which are set out in the circular of the Company dated 15 November 2018). Having considered that (i) during the employment of our aforesaid employees (including the aforesaid responsible officer) in China AF Corporate Finance Limited, and to their best knowledge, China AF Corporate Finance Limited had only acted as an independent financial adviser to the Company, but not a financial adviser of any form, nor there was any other business relationships therebetween which may be regarded as relevant to the independence of China AF Corporate Finance Limited from the Company; and (ii) our aforesaid employees (including the aforesaid responsible officer) had resigned from China AF Corporate Finance Limited for more than six months and had no relationship with the latter since their respective resignation, we considered that there is no matter which may affect our independence from the Company. Save for the aforesaid indirect relationship, no other relationship has been formed and no direct engagement has been performed between the Group, the Vendor, or the parties acting in concert with any of them and us for the last two years prior to the date of the Circular. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Sale and Purchase Agreement and the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed the Sale and Purchase Agreement, documents in relation to the Acquisition, and have relied on the statements, information, opinions and representations contained or referred to in the Circular, the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), the interim report of the Company for the six months ended 30 June 2019 (the "**2019 Interim Report**"), and the information and representations as provided to us by the Directors and the management ("**Management**") of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have obtained all information and documents we consider relevant to our assessment of the fairness and reasonableness of the terms of the Sale and Purchase Agreement and the Acquisition, reviewed information and documents of and conducted research on the Ziegler Group, and reviewed the determination of and conducted our own market analysis on the Consideration. As such, we considered that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Sale and Purchase Agreement and the Acquisition, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Sale and Purchase Agreement and the Acquisition.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Sale and Purchase Agreement and the Acquisition, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(A) Background information of the Sale and Purchase Agreement and the Acquisition

1. Information of the Group and the Purchaser

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 445). The Group is principally engaged in the production and sale of fire engines, the production and sale of fire prevention and fighting equipment, the design and sale of mobile fire stations and emergency rescue stations, the design and manufacturing of passengers boarding bridges and auto stereoscopic parking systems, and the provision of integrated solutions of airport facility equipment, including airport logistic systems (baggage handling and material handling) and ground support equipment.

Set out below is a summary of the consolidated statements of profit or loss and financial position of the Group for the year ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively (the "**FY2017**", "**FY2018**", "**6M2018**" and "**6M2019**", respectively), as extracted from the 2018 Annual Report and 2019 Interim Report:

	For 6M2019	For 6M2018	For FY2018	For FY2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(restated)
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	1,582,790	991,104	2,786,421	1,662,685
Gross profit	318,285	189,668	545,535	389,349
Profit before income tax	114,437	74,792	196,477	138,177
Profit for the period/year	94,739	64,151	172,618	119,681

	As at 30 June 2019	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
			(restated)
	(unaudited)	(audited)	(audited)
Non-current assets	3,077,288	2,555,899	1,122,762
Current assets	4,704,191	3,345,111	1,994,163
Current liabilities	3,791,433	2,695,032	1,555,501
Net current assets	*912,758*	*650,079*	*438,662*
Non-current liabilities	411,246	183,649	95,655
Total assets	7,781,479	5,901,010	3,116,925
Net assets	*3,578,800*	*3,022,329*	*1,465,769*

As depicted in the table above, for the FY2018, the Group recorded a total revenue of approximately RMB2,786.4 million, representing an increase of approximately 67.6% as compared to that of approximately RMB1,662.7 million for the FY2017. For the 6M2019, the Group recorded a total revenue of approximately RMB1,582.8 million, representing an increase of approximately 59.7% as compared to that of approximately RMB991.1 million for the 6M2018. As set out in the 2018 Annual Report, between FY2017 and FY2018, the Group recorded growth in revenue derived from the design, manufacturing and/or sale of all of its major types of products, being (i) fire engines and fire equipment and related services; (ii) passenger boarding bridge and automated parking systems; (iii) ground support equipment; and (iv) logistics (baggage, material and warehouse handling systems). With the increase in revenue, the Group reported profit of approximately RMB172.6 million for the FY2018, representing an increase of approximately 44.2% from that of approximately RMB119.7 million for the FY2017. As set out in the 2019 Interim Report, when comparing between 6M2018 and 6M2019, the revenue contributed by the aforementioned business segments keeps growing, and as a result, the Group recorded profit of approximately RMB94.7 million for the 6M2019, representing an increase of approximately 47.7% from that of approximately RMB64.2 million for the 6M2018. Overall, we considered the Group's business to be healthily diversified and growing.

Regarding the financial position of the Group, as listed in the table above, as at 31 December 2018, the current assets and current liabilities of the Group amounted to approximately RMB3,345.1 million and RMB2,695.0 million, respectively, representing increases of approximately 67.7% and 73.3% when compared with the corresponding figures as at 31 December 2017. At the same time, the Group managed to maintain its net current assets and net assets positions between 31 December 2017 and 2018. The total assets of the Group also increased from approximately RMB3,116.9 million as at 31 December 2017 to RMB5,901.0 million as at 31 December 2018. As at 30 June 2019, the current assets and current liabilities of the Group amounted to approximately RMB4,704.2 million and RMB3,791.4 million, respectively, and its net current assets and net assets also increased to RMB912.8 million and RMB3,578.8 million, respectively.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

2. Information of the CIMC Group and the Vendor

The Vendor is a company incorporated in the Netherlands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of CIMC, which is the controlling shareholder of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules.

The CIMC Group is principally engaged in (i) the manufacture of containers, road transportation vehicles, energy, chemical and liquid food equipment, offshore engineering equipment, airport facilities equipment and fire engines and firefighting equipment as well as the provision of relevant services; and (ii) logistics service, industrial city development, finance and other businesses.

3. Information of the Ziegler Group

Ziegler is a company incorporated in Germany with limited liability and the holding company of a number of operating subsidiaries incorporated in Germany, Netherlands, Italy, Czech Republic, the PRC, Indonesia and Croatia. As at the Latest Practicable Date, Ziegler is owned as to 60% by the Vendor and 40% by the Purchaser.

The Ziegler Group is principally engaged in the production and sale of firefighting and rescue vehicles and other firefighting components as well as the provision of relevant after sales services.

The following table sets out the financial information of the Ziegler Group based on the audited consolidated financial statements of Ziegler for the FY2017, FY2018 and 6M2019, respectively:

	For 6M2019	**For 6M2018**	**For FY2018**	**For FY2017**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
	(audited)	(unaudited)	(audited)	(audited)
Revenue	101,749	103,571	202,553	232,883
(Loss)/profit before taxation	(4,743)	5,994	3,469	7,899
(Loss)/profit after taxation	(3,190)	3,749	2,283	6,055

The total assets, total liabilities and net assets of the Ziegler Group as at 30 June 2019 according to its audited consolidated financial statements were approximately EUR229.3 million (equivalent to approximately RMB1,787.6 million), EUR161.7 million (equivalent to approximately RMB1,260.6 million) and EUR67.6 million (equivalent to approximately RMB527.1 million) respectively.

4. Reasons for and benefits of the entering into of the Sale and Purchase Agreement and the Acquisition

According to the 2018 Annual Report, in order to speed up the development of the fire engines and fire equipment business and to better serve the customers, the Group has been powering up its products and service development capability, enriching its product portfolio and extending its geographical range partially through acquisitions.

It is also set out in the Letter from the Board that the Ziegler Group is a globally renowned fire engines manufacturer known for its high-quality craftsmanship as well as its technological leadership in customised fire trucks and firefighting equipment. It also has a significant market share in the European market. The Directors consider that the Acquisition represented an opportunity to consolidate the equity interest in the Ziegler Group as well as its revenue and profit contributions, and to streamline the development strategies of the Group's fire safety business in the global market.

The Group plans to expand its fire engines and fire equipment business

In analysing the reason for the Sale and Purchase Agreement and the Acquisition, we have firstly reviewed the Group's performance in the relevant business, being the fire engines and fire prevention and fighting equipment. Due to the reverse acquisition accounting adopted as a result of the acquisition of 99.41% equity interests of Pteris Global Limited (the "**Pteris Acquisition**"), details of which are set out in the circular of the Company dated 15 March 2018, the fire engines and fire prevention and fighting equipment business of China Fire Safety Enterprise Group Limited, the predecessor of the Group, was deemed to be acquired, and thus the revenue and profit reported were the amount for the year commenced after completion of the Pteris Acquisition. As set out in the 2018 Annual Report, if such reverse acquisition accounting had not been taken into effect, revenue derived from fire engines and fire prevention and fighting equipment for the FY2018 would have grown by approximately 25.0% to RMB660.7 million as compared to that for the FY2017. Segment profit for the FY2018 would also have been RMB52.4 million, an increase of approximately 4.7% over that for the FY2017, had the additional costs and expenses in relation to the fair value adjustments at completion of the Pteris Acquisition been discarded. Such growth has been driven by the increase in number of fire engines sold for the FY2018, which represents a genuine sale growth. In addition, the Group has been planning to expand its fire engines and fire equipment business segment by two acquisitions, being (i) the acquisition of 100% equity interests of Shanghai Jindun Special Vehicle Equipment Co., Ltd. (the "**Shanghai Jindun**"), details of which are set out in the circular of the Company dated 25 March 2019; and (ii) the acquisition of 60% equity interests of Shenyang Jietong Special Vehicle Equipment Co., Ltd. ("**Shenyang Jietong**"), details of which are set out in the circular of the Company dated 24 May 2019. Both Shanghai Jindun and Shenyang Jietong are renowned fire engines manufacturers in the PRC with large range of products and significant market share. Upon completion of the aforesaid acquisitions, apart from enjoying revenue and profit contributions, the Group is also expected to gain from the synergy effects of the enlarged market, production capacity, product variety and technological know-how sharing.

Based on the above, we considered that the Group has satisfactory performance and experience in its fire engines and fire equipment segment, and thus it is fair, reasonable and justifiable for the Group planning to speed up development in this regard, power up its products and service development capability, enrich its product portfolio and extend its geographical range.

The Ziegler Group has a long and successful history of operations

We have then conducted research and enquired with the Company on the track record and business of the Ziegler Group. We understood that the history of the Ziegler Group can be tracked back to 1891 when the former holding company of certain operating subsidiaries of the Ziegler Group (the "**Operating Subsidiaries**"), which have been principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components, was founded. In 2013, Ziegler was incorporated and transferred to the CIMC Group solely for the purpose of effecting a transaction to acquire the Operating Subsidiaries, together with certain assets and liabilities relating to employees and product warranty, by the CIMC Group. In 2015, the Company, through its indirect wholly-owned subsidiary, acquired 40% equity interest in Ziegler. Nonetheless, to the best knowledge of the Company, there has been no material disruption to the business of the Operating Subsidiaries due to the aforesaid acquisitions, and the Ziegler Group has maintained the principal activities of development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components since incorporation.

We further noted that the Ziegler Group is one of the leading producers of fire trucks globally. As advised by the management of Ziegler, in terms of revenue, Ziegler ranks seventh among global fire truck producers. In 2017, Ziegler owned a market share of approximately 25% in Germany and approximately 5.5% globally. The Ziegler Group manufactures more than 500 vehicles annually and is known for its high-quality craftsmanship as well as its technological leadership in customised fire trucks and water pumps for firefighting worldwide. At present, the Ziegler Group owns and operates six manufacturing plants in Europe. Moreover, Ziegler currently holds various patents for firefighting equipment, such as TS heat exchanger, high pressure washer with rotating jets, rack for ladder, fire hose with temperature insulation, cavitation warning and etc.

The Ziegler Group has been able to maintain profit after taxation for both the FY2017 and FY2018. We were aware that the Ziegler Group has recorded loss after taxation of approximately EUR3.2 million for the 6M2019, a turnaround from profit after taxation of approximately EUR3.7 million for the 6M2018. We have enquired with the Company in this regard and understood that such turnaround was primarily attributable to various technical issues that took place during the said six months in the implementation of the new ERP system, namely the SAP system, being the system responsible for handling orders from and deliveries to customers of the Ziegler Group, which adversely affected the operation and sales efficiency of the Ziegler Group. Moreover, additional general and administrative expenses have also been incurred by the Ziegler Group to address the technical issues of the SAP system. Nonetheless, we understood that such technical issues were one-off events, and the Ziegler Group's ERP system has been restored and fully implemented in the second half of 2019. We have also noted and confirmed with the Company that the aforesaid loss is also partly related to the change in actuarial valuation of the defined benefit retirement schemes of the Ziegler Group, and the impairment loss allowances on trade receivables, increased with the increase in the amounts of the aged overdue trade receivables. We have further enquired with the Company and obtained the management accounts of the Ziegler Group for the nine months ended 30 September 2019, and note that it has recorded a revenue of approximately EUR155.6 million, and that its loss after taxation has been alleviated to approximately EUR2.7 million. Having considered the above, and that we were not aware of any material adverse factor which may affect the Ziegler Group's performance in the future, we have no reason to believe that the Ziegler Group will continue to have unsatisfactory performance in the future.

Based on its long history of operations, scale and reputation, and that Ziegler has maintained profit after taxation for both the FY2017 and FY2018, we considered that the Ziegler Group was backed by a long and successful history of operations and product quality, which makes it an appropriate target under the Group's plan to expand its fire engines and fire equipment business.

The Acquisition can consolidate the Company's control of Ziegler

As at the Latest Practicable Date, Ziegler is already owned as to 40% by the Purchaser, a subsidiary of the Company. Upon Completion, Ziegler will be a wholly-owned subsidiary of the Company. We believed that the Acquisition can consolidate the Company's control of Ziegler and provide greater flexibility in the strategic directions and day-to-day management of Ziegler. As advised by the Company, strategic directions in respect of the Ziegler Group's business could include to sell or to hold certain assets, the decision to invest on technological renovation or upgrading, etc. It is noted that majority and minority shareholders are not always aligned on such critical decisions which may impact the value of the business or assets.

Furthermore, after consolidating the Company's control of Ziegler, synergy effects could arise from the Company's absolute management over the Ziegler Group, such as sharing of resources in respect of research, innovation and/or production between the Ziegler Group and other subsidiaries of the Company engaging in the business of firefighting or airport equipment, sharing of technical know-how between the Group and the Ziegler Group in the development of new models or advanced technology to enhance the quality of products of the Company, consolidation of supply chain to seek for possible internal cost savings, and economies of scale in respect of joint marketing campaign.

On the other hand, Ziegler will become a wholly-owned subsidiary of the Company upon Completion and the financial information of the Ziegler Group will be consolidated into the consolidated financial statements of the Group. Based on the profit after taxation recorded by the Ziegler Group for the FY2017 and FY2018, we considered that the consolidation of the financial information of the Ziegler Group into the consolidated financial statements of the Group could strengthen the financial performance and/or positions of the Group.

Summary

In view of all the reasons as elaborated above, we considered that the principal business of the Ziegler Group is in the ordinary course of business of the Group, and the entering into of the Sale and Purchase Agreement and the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(B) The Sale and Purchase Agreement

1. Principal terms of the Sale and Purchase Agreement

Date

26 September 2019

Parties

(1) the Purchaser (as the purchaser); and

(2) the Vendor (as the vendor);

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 60% equity interest in Ziegler. As at the Latest Practicable Date, Ziegler is owned as to 60% by the Vendor and 40% by the Purchaser.

Consideration

The Consideration is EUR31,470,000 (equivalent to approximately RMB245,346,000).

The Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement on normal commercial terms, after taking into account, among others, (i) the consolidated financial results of the Ziegler Group in recent years; (ii) the previous consideration of HK$489,428,572 for the acquisition of 40% equity interest in Ziegler and 40% of all the amounts owed by Ziegler to the Vendor by the Purchaser from the Vendor; (iii) the average prevailing price-to-earnings ratio of approximately 22.86 times of five comparable companies listed on various stock exchanges as set out in the Circular; and (iv) the business and development prospects of the Ziegler Group.

Conditions precedent

Completion is conditional upon the fulfilment (or, if applicable, the waiver) of various conditions set out in the section headed "Conditions precedent" in the Letter from the Board.

2. Our work done to assess the fairness of the Consideration

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement on normal commercial terms, after taking into account, among others, (i) the consolidated financial results of the Ziegler Group in recent years; (ii) the previous consideration of HK$489,428,572 (the "**Previous Consideration**") (equivalent to RMB392,358,964 as at 27 February 2015, the date of the relevant agreement) for the acquisition of 40% equity interest in Ziegler and 40% of all the amounts owed by Ziegler to the Vendor by the Purchaser from the Vendor (the "**Previous Acquisition**"); (iii) the average prevailing price-to-earnings ratio of approximately 22.86 times of five comparable companies listed on various stock exchanges as set out in the Circular; and (iv) the business and development prospects of the Ziegler Group.

In our independent attempt to assess the fairness and reasonableness of the Consideration, we have conducted market comparable analysis on the Consideration, compared the Consideration with the Previous Consideration, reviewed the financial position and performance of the Ziegler Group, and considered the business and development prospects of the Ziegler Group, which are analysed in detail in the following.

Market comparable analysis on the Consideration

With the aim of assessing the fairness and reasonableness of the Consideration, we have attempted to analyse the price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**"), being the two ratios commonly used by the market and investors when assessing the value of a company, of the Ziegler Group as implied by the Consideration, and compare them with the P/E Ratios and P/B Ratios, respectively, of other comparable companies. Due to the business nature of the Ziegler Group, we considered that there is a lack of comparable companies and transactions disclosed by other Hong Kong listed issuers for us to conduct a meaningful analysis. As such, we have extended our search for appropriate comparable companies to the global market. In selecting appropriate comparable companies, we have adopted the following selection criteria, all of which must be satisfied: (i) the companies must have 45% or above of their revenues generated from sales of fire engines, fire prevention and fighting equipment or record a revenue of over EUR200 million, being the scale of revenue comparable to that of the Ziegler Group for the FY2018, from sales of fire engines, fire prevention and fighting equipment or relevant business according to their latest published audited financial statements. In determining the 45% revenue comparable criteria, we understand that the Ziegler Group is solely engaged in the production and sale of firefighting and rescue vehicles and other firefighting components as well as the provision of relevant after sales services, but there will be insufficient comparable companies for conducting a meaningful analysis if we adopt a 100% revenue comparable criteria. As such, we attempted to strike a balance between lowering the revenue comparable criteria to include more comparable companies for conducting a meaningful analysis and ensuring that firefighting business remains a major component of the comparable companies' business. In this relation, we consider that a company with over 45% of its revenue generated from firefighting and related business can still be regarded as having firefighting business to be its major component, while we can include five comparable companies into our analysis under this criteria for a meaningful analysis. As a result, we have determined to adopt the 45% revenue comparable criteria; (ii) shares of the companies are being listed in a major stock exchange; (iii) the companies are profit generating in the latest financial year; and (iv) detailed financial and operational information in respect of the companies is publicly available. Based on the aforementioned selection criteria, we have to our best endeavor identified an exhaustive list of five comparable companies (the "**Comparable Companies**").

To the best of our knowledge and as far as we are aware, the Comparable Companies, in our view, are exhaustive, fair and representative samples for comparison. Their respective P/E Ratio and P/B Ratio, together with that of the Ziegler Group as implied by the Consideration, are set out below.

Company name	Stock code	Stock exchange	P/E Ratio as at the date of the Sale and Purchase Agreement (times) *(Note 1)*	P/B Ratio as at the date of the Sale and Purchase Agreement (times) *(Note 2)*
Morita Holdings Corporation	6455	Tokyo Stock Exchange	12.75	1.22
Rosenbauer International AG	ROS	Vienna Stock Exchange	10.54	1.20
Oshkosh Corporation	OSK	New York Stock Exchange	11.70	2.15
REV Group Inc	REVG	New York Stock Exchange	54.90	8.56
Weihai Guangtai Airport Equipment Co., Ltd.	002111	Shenzhen Stock Exchange	24.39	7.39
		Average	22.86	4.10
		Median	12.75	2.15

	P/E Ratio as implied by the Consideration *(Note 3)*	P/B Ratio as implied by the Consideration *(Note 4)*
The Ziegler Group	12.58	0.78

Notes:

1. The P/E Ratio is based on the market capitalisation as at the date of Sale and Purchase Agreement and the latest published profit attributable to owners of the Comparable Companies.

2. The P/B Ratio is based on the market capitalisation as at the date of Sale and Purchase Agreement and the latest published net assets value of the Comparable Companies.

3. Calculated as the Consideration divided by 60% of the average of the Ziegler Group's profit after taxation for the FY2017 and FY2018, respectively.

4. Calculated as the Consideration divided by 60% of the Ziegler Group's net assets as at 30 June 2019.

As set out in the table above, the P/E Ratio of the Ziegler Group as implied by the Consideration (i.e. 12.58 times) is within the range of and lower than the average and median of the P/E Ratios of the Comparable Companies. The P/B ratio of the Ziegler Group as implied by the Consideration (i.e. 0.78 times) falls below the range of and is significantly lower than the average and median of the P/B Ratios of the Comparable Companies. The above suggests that the P/E ratio and P/B ratio of the Ziegler Group as implied by the Consideration is generally below the prevailing market level, which further suggests that the Group is acquiring the Sale Shares at a price generally below the prevailing market level. As such, we consider the Consideration fair and reasonable.

Comparison between the Consideration and the Previous Consideration

We have then compared the Consideration with the Previous Consideration. We noted that the Consideration for the 60% equity interest in Ziegler is also significantly less than the Previous Consideration, being HK$489,428,572 (equivalent to RMB392,358,964 as at 27 February 2015, the date of the relevant agreement), which is merely for 40% equity interest in Ziegler. This suggests that, despite the improvement and growth of the Ziegler Group since the Previous Acquisition, the Company will acquire the remaining 60% equity interest in Ziegler at a relatively lower consideration when compared proportionately with the Previous Consideration. In particular, the Consideration represents a discount of approximately 58.31% to the Previous Consideration. Additionally, as discussed in the paragraph headed "Market comparable analysis on the Consideration" above, both of the P/E ratio and P/B ratio of the Ziegler Group as implied by the Consideration are significantly lower than the average and median of those of the Comparable Companies. As such, we also consider this to be in the interests of the Company and the Independent Shareholders as a whole.

The financial position and performance of the Ziegler Group

As disclosed in the paragraphs headed "3. Information of the Ziegler Group" above, the Ziegler Group has been able to record profit after taxation for both the FY2017 and FY2018. The net assets of the Ziegler Group as at 30 June 2019, according to its audited consolidated financial statements, was approximately EUR67,608,000 (equivalent to approximately RMB527,085,000). We noted that the Consideration of EUR31,470,000 (equivalent to approximately RMB245,346,000), being the consideration for the 60% equity interest in Ziegler, is significantly less than 60% of the net assets of the Ziegler Group as at 30 June 2019, which is approximately EUR40,564,800 (equivalent to approximately RMB316,251,294). In particular, the Consideration represents a discount of approximately 22.42% to 60% of the net assets of the Ziegler Group as at 30 June 2019. This suggests that the Company will acquire the 60% equity interest in Ziegler at a consideration significantly less than its book value. Having also considered that the P/B Ratio of the Ziegler Group as implied by the Consideration is lower than all the P/B Ratios of the Comparable Companies as discussed above, we are of the view that the discount represented by the Consideration to 60% of the net assets of the Ziegler Group as at 30 June 2019 is fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

The business and development prospects of the Ziegler Group

As discussed in the paragraphs headed "4. Reasons for and benefits of the entering into of the Sale and Purchase Agreement and the Acquisition" above, we agreed that the Ziegler Group is one of the leading producers of fire trucks globally which has maintained profit after taxation for both the FY2017 and FY2018. We considered that the Ziegler Group was backed by a long and successful history of operations and product quality, and thus consider it appropriate for the Company to acquire the remaining 60% equity interest in Ziegler.

Settlement method

The Consideration shall be payable by the Purchaser to the Vendor or its nominee by way of cash (or other kind of consideration as may be agreed by the Purchaser and the Vendor) within one year from the Completion Date. In the event that the Consideration is to be satisfied by the Purchaser, whether wholly or partly, by way of other kind of consideration, for example by way of the issue of promissory note(s), further announcement will be made by the Company in compliance with the Listing Rules as and when appropriate. As at the Latest Practicable Date, no negotiation in respect of the payment of Consideration other than by way of cash has been made between the parties. It is expected that the Consideration will be funded by internal resources of the Group and/or bank borrowings.

We have enquired with the Company and understood that the Group has a bank and cash balance of approximately RMB333.0 million as at 30 June 2019 according to its 2019 Interim Report. Although the Company has sufficient internal financial resources to settle the Consideration in cash and in full as required under the Sale and Purchase Agreement, having considered the benefit of the Company saving cash for any acquisition which could enhance the development of the Group in the future, the Company may seek bank borrowings to partly or fully settle the Consideration.

Summary

In view of all the reasons as elaborated above, we considered that the basis of determining the Consideration is fair and reasonable so far as the Independent Shareholders are concerned, and the Consideration is in the interests of the Company and the Independent Shareholders as a whole.

(C) Possible financial effects of the Acquisition

Ziegler will become a wholly-owned subsidiary of the Company upon Completion and the financial information of the Ziegler Group will be consolidated into the consolidated financial statements of the Group.

1. Net assets

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, for illustration purpose only, assuming Completion had taken place on 30 June 2019, the net assets of the Enlarged Group as at 30 June 2019 would have been approximately RMB3,294.8 million, which represents a slight decrease when compared with that of the Group as at 30 June 2019 of approximately RMB3,578.8 million.

As such, we considered that immediately upon the Completion, the Acquisition may have a slight negative impact on the net assets of the Enlarged Group when compared with the net assets of Group immediately prior to the Completion.

2. Earnings

As disclosed in the 2018 Annual Report, profit for FY2018 attributable to Shareholders amounted to approximately RMB165.4 million.

Upon Completion, the Purchaser will be interested in the entire equity interest in Ziegler. As such, Ziegler will become a wholly-owned subsidiary of the Company and the financial information of the Ziegler Group will be consolidated into the consolidated financial statements of the Group. In light of the potential future benefits and prospects of the Acquisition as stated in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board, the Directors are of the view that, the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Ziegler Group. In this relation, we have also conducted our own analysis which has been set out in the paragraphs headed "4. Reasons for and benefits of the entering into of the Sale and Purchase Agreement and the Acquisition" in this letter, and concurred with the Directors' view.

As a result, we believed that the Acquisition could have a potential positive impact on the earnings of the Group. However, the actual effect on earnings will depend on the future financial performance of the Ziegler Group.

3. Cash/working capital

As disclosed in the 2018 Annual Report, the Group had current assets of approximately RMB3,345.1 million, including cash and cash equivalents of RMB468.6 million, and net current assets of approximately RMB650.1 million as at 31 December 2018. We further understood that the Group has a bank and cash balances of approximately RMB333.0 million as at 30 June 2019 according to the 2019 Interim Report. Given that the Consideration is amounted to only EUR31,470,000 (equivalent to approximately RMB245,346,000), which is significantly lower than all of the above figures, and the Company may seek bank borrowings to partly or fully settle the Consideration, we considered that the Group will be able to satisfy it without any immediate material difficulty and without causing material depletion to its working capital sufficiency.

Having considered the reasons and benefits of the Acquisition, the fairness and reasonableness of the Consideration and the healthy financial positions of the Group, we are of the view that the short-term adverse financial impacts to the Group in respect of cash position and net assets are immaterial, commercially acceptable and justifiable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the proposed Acquisition is in the interests of the Group and the Shareholders as a whole, the principal business of the Ziegler Group to be acquired thereunder is in the Group's ordinary and usual course of business, and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Sale and Purchase Agreement and the Acquisition, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully
For and on behalf of
Hologram Capital Limited
Michael Leung
Executive Director

I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at http://www.chinafire.com.cn/:

- annual report of the Company for the year ended 31 December 2016 published on 19 April 2017 (pages 39 to 115) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0419/ltn20170419289.pdf);

- annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 43 to 111) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn20180427660.pdf);

- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 54 to 201) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429375.pdf); and

- interim report of the Company for the six months ended 30 June 2019 published on 6 September 2019 (pages 2 to 25) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0906/ltn20190906201.pdf).

II. INDEBTEDNESS STATEMENT

As at 30 September 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the date of this circular, the Enlarged Group had outstanding borrowings of RMB2,330.35 million, which comprised:

(i) unsecured and unguaranteed bank borrowings of RMB809.55 million;

(ii) secured and unguaranteed bank borrowings of RMB73.14 million;

(iii) unsecured and guaranteed bank borrowings of RMB959.98 million;

(iv) secured and guaranteed bank borrowings of RMB24.80 million;

(v) unsecured and unguaranteed loans from related parties of RMB382.69 million;

(vi) unsecured and unguaranteed convertible bonds (liabilities portion) of RMB78.22 million; and

(vii) letter of credit of RMB1.97 million.

Contingent liabilities

As at 30 September 2019, the Group had issued letters of guarantee amounted to RMB1,695.17 million.

Lease liabilities

As at 30 September 2019, the Enlarged Group had lease liabilities amounting to RMB106.06 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 30 September 2019, being the latest practicable date for determining indebtedness, the Enlarged Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities, nor any authorised or otherwise created but unissued debt securities.

III. WORKING CAPITAL STATEMENT

The Directors confirm that, after due and careful enquiry and taking into consideration the financial resources available to the Enlarged Group, including banking facilities and other internal resources, the Enlarged Group has sufficient working capital for at least the next 12 months commencing from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

V. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up, the Group has completed or proposed the following acquisitions whose profits or assets make or will make a material contribution to the figures in the next published financial statements of the Group for the year ending 31 December 2019:

(a) Pursuant to an equity transfer agreement dated 28 August 2018 entered into between the Allied Best and CIMC TianDa (Shenzhen), Allied Best has acquired 5% of the equity interests in Tongchuang from CIMC TianDa (Shenzhen) at nil consideration and has assumed the obligation of CIMC TianDa (Shenzhen) to contribute RMB10,000,000 to the registered capital of Tongchuang. Tongchuang is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. The acquisition was completed in January 2019. Please refer to the announcements of the Company dated 28 August 2018 and 6 November 2018 and the circular of the Company dated 16 October 2018 for further details of the acquisition. Please refer to the accountants' report on Tongchuang as set out in Appendix IIB to the circular of the Company dated 16 October 2018 (pages IIB-1 to IIB-19) (http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1015/LTN20181015269.pdf) for the financial information of Tongchuang for the period from 22 March 2016 (being the date of its incorporation) to 31 December 2016, the year ended 31 December 2017 and for the six months ended 30 June 2018.

(b) Pursuant to an equity transfer agreement dated 19 October 2018 and a side letter dated 10 September 2019 entered into by and among Allied Best, the Company, Shanghai Jindun Fire-Fighting, Shanghai Jindun and Zhou Xiangyi (周象義), Allied Best has acquired the entire equity interests in Shanghai Jindun from Shanghai Jindun Fire-Fighting at the consideration of RMB381,800,000. Shanghai Jindun Fire-Fighting has given guarantees in respect of the financial performance of Shanghai Jindun for the financial years 2018 and 2019, and Allied Best is entitled to financial compensation in accordance with the terms of the equity transfer agreement if the guaranteed profits or revenue is not achieved. Shanghai Jindun is principally engaged in the research and development, manufacturing and sales of fire engines and firefighting equipment. The acquisition of Shanghai Jindun was completed in April 2019. Please refer to the announcements of the Company dated 19 October 2018, 30 April 2019 and 10 September 2019 and the circular of the Company dated 25 March 2019 for further details of the acquisition. Please refer to the accountants' report of Shanghai Jindun and its subsidiaries, as set out in Appendix II to the circular of the Company dated 25 March 2019 (pages II-1 to II-64) (http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0324/LTN20190324049.pdf) for the financial information of Shanghai Jindun and its subsidiaries for the three years ended 31 December 2017 and the ten months ended 31 October 2018.

(c) Pursuant to an equity transfer agreement dated 31 July 2018 (as amended and supplemented by a supplemental agreement dated 30 November 2018) entered into by Allied Best, seven PRC individual residents who collectively owned 100% equity interests in Shengyang Jietong at the date of the equity transfer agreement (the "**Shengyang Jietong Vendors**"), and Shengyang Jietong, Allied Best has acquired 60% equity interests in Shengyang Jietong from the Shengyang Jietong Vendors at the consideration of RMB600,000,000. Shenyang Jietong Vendors have given guarantees in respect of the financial performance of Shenyang Jietong for the financial years 2018 and 2019, and Allied Best is entitled to financial compensation in accordance with the terms of the equity transfer agreement if the guaranteed profits or revenue is not achieved. Shenyang Jietong is principally engaged in the manufacturing of fire engines and is a leading manufacturer of aerial lifting fire trucks in the PRC. The acquisition of Shengyang Jietong was completed in June 2019. Please refer to the announcements of the Company dated 31 July 2018 and 30 November 2018 and the circular of the Company dated 24 May 2019 for further details of the acquisition. Please refer to the accountants' report of Shenyang Jietong and its subsidiaries, as set out in Appendix II to the circular of the Company dated 24 May 2019 (pages II-1-II44) (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0523/ltn20190523455.pdf) for the financial information of Shenyang Jietong and its subsidiaries for the three years ended 31 December 2018.

The aggregate of the remuneration payable to and benefits in kind received by the Directors will not be varied in consequence of the aforementioned acquisitions.

Save as disclosed in this circular, since 31 December 2018 (the date to which the latest published audited accounts of the Group have been made up), no member of the Group has acquired or agreed to be acquired or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Group.

VI. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in the production and sale of fire engines, the production and sale of fire prevention and fighting equipment, the design and sale of mobile fire stations and emergency rescue stations, the design and manufacturing of passengers boarding bridges and auto stereoscopic parking systems, and the provision of integrated solutions of airport facility equipment, including airport logistic systems (baggage handling and material handling) and ground support equipment. It is one of the leading manufacturers of fire engines, fire prevention and fighting equipment in the PRC. The Ziegler Group is a globally renowned fire engines manufacturer known for its high-quality craftsmanship as well as its technological leadership in customised fire engines and firefighting equipment. It also has a significant market share in the European market. Upon completion of the Acquisition, the Enlarged Group will continue to develop the existing businesses of the Group and the Ziegler Group.

Fire engines and fire prevention and fighting equipment

The Group has been developing its existing business by both internal growth through investments in the development of new products and new markets and external growth through the formation of strategic alliances, as well as mergers and acquisitions of companies which can complement the Group's existing lines of business.

Since the acquisitions of the Shanghai Jindun and Shenyang Jietong have been completed, the Group's fire engines business have extended to a great extent in terms of geographical market coverage in the PRC, product portfolio and production capacity. The market for fire engines and firefighting equipment in the PRC is quite divided geographically and between domestic and foreign imports, upon completion of the Acquisition, the Group will grasp hold of a considerable share of the foreign imports market in the PRC. Besides, the Group will have an immediate expansion to the European market and also a further power-up of its product development capacity by leveraging on the Ziegler Group's advanced craftsmanship and technological standards.

Apart from the fire engines and firefighting equipment, in response to the national plans for the development of micro fire stations in the PRC, the Group is expanding its fire safety business also by tapping into the emerging mobile fire stations and emergency rescue stations market. In July 2019, the Group established a new subsidiary which is primarily engaged in, amongst others, the design, technology development, sale and installation of mobile fire stations and emergency rescue stations. Mobile fire and emergency rescue stations, established by assembling different separately manufactured modules that are converted from containers, are characterized with short construction time, space saving, great flexibility and eco-friendly. It could be a quick fill-up of the deficiency in number of fire stations in area which are densely populated, with land supply shortage or due to other reasons that can hardly build a standard fire station.

Airport facilities: passenger boarding bridge (PBB) and ground support equipment

The Group is one of the largest suppliers of passenger boarding bridges in the global market and occupied over 90% market share in the PRC. To maintain its leading position and the growth momentum, the Group is dedicated to (i) expand its after-sales services team including setting up new service centres in Europe and the Middle East to capture the market share in the growing after-sales services market, particularly the bridge renovation business; (ii) extend the value chain by providing other equipment such as pre-conditioned air units and other PBB-mounted equipment; (iii) develop new value-added products such as the Smart Bridge System and Visual Docking Guidance System (VDGS); and (iv) develop new ground support equipment that are eco-friendly such as the electric bi-directional apron buses to cater for the worldwide aspiration for green environment.

Logistics systems: baggage, material and warehouse handling systems

The Group has been strengthening its efforts to bolster its development of the US market since years ago. Leveraging on the Belt and Road Initiatives, more new markets are under cultivation. Since the Group acquired the sorting devices technology in 2017, the baggage, material and warehouse handling systems business has expanded and diversified from baggage and cargo handling in airports to e-commerce and express delivery which involves the sorting and handling of millions of parcels. The Group has also developed the automated warehousing system which allows the stacking, shelfing, sorting, retrieving and delivery in a warehouse to be made automatic through an intelligent management system. The broadened market coverage, both in geographical and in product respects, is expected to bring about great development opportunities.

Future investments

In addition to the Acquisition, the Company may also consider other acquisitions in the PRC and overseas markets should suitable opportunities arise. The Group will invest to seize every opportunity arising from the growth in the aviation industries, logistics industries, and the fire industries.

For its positive sustainable growth, the Group will, as always, design and develop new products and services to fulfill constantly evolving customer needs, and acquire and develop new production technologies and know-how so as to enhance the Group's competitiveness.

The following is the text of a report set out on pages II-1 to II-76, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ALBERT ZIEGLER GMBH TO THE DIRECTORS OF CIMC-TIANDA HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information of Albert Ziegler GmbH (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-76, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-76 forms an integral part of this report, which has been prepared for inclusion in the circular of CIMC-Tianda Holdings Company Limited (the "Company") dated 19 November 2019 (the "Circular") in connection with the proposed acquisition of 60% equity interest in the Target Group by the Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

The Underlying Financial Statements of the Target Group as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's consolidated financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of the Target Group's consolidated financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 November 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousand Euro)

		Year ended 31 December			**Six months ended 30 June**	
		2016	**2017**	**2018**	**2018**	**2019**
					(unaudited)	
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Revenue	7	219,960	232,883	202,553	103,571	101,749
Cost of sales		(187,913)	(188,994)	(173,187)	(82,791)	(87,891)
Gross profit		32,047	43,889	29,366	20,780	13,858
Selling and distribution expenses		(14,852)	(17,284)	(14,706)	(7,762)	(8,280)
General and administrative expenses		(13,306)	(16,003)	(15,031)	(6,652)	(8,555)
Other income	8	1,136	1,543	2,500	523	1,113
Other expenses		(577)	(695)	(654)	(516)	(271)
Other gains/(losses) – net	9	952	(2,352)	3,131	290	(1,740)
Profit/(loss) from operations		5,400	9,098	4,606	6,663	(3,875)
Share of profit of an associate		–	40	328	14	23
Finance costs	10	(1,642)	(1,239)	(1,465)	(683)	(891)
Profit/(loss) before taxation	11	3,758	7,899	3,469	5,994	(4,743)
Income tax (expense)/credit	12	(918)	(1,844)	(1,186)	(2,245)	1,553
Profit/(loss) for the year/period		2,840	6,055	2,283	3,749	(3,190)
Attributable to:						
– Owners of the Target Company		2,813	5,987	2,233	3,826	(3,174)
– Non-controlling interests		27	68	50	(77)	(16)
		2,840	6,055	2,283	3,749	(3,190)

		Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
					(unaudited)	
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Other comprehensive income (after tax and reclassification adjustments)	15					
Item that will not be reclassified to profit or loss:						
Remeasurement of						
– Defined benefit liabilities		(80)	36	79	19	(323)
– Other employment benefit		29	(79)	(71)	(32)	(52)
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas subsidiaries		106	(338)	(3)	61	101
Other comprehensive income for the year/period		55	(381)	5	48	(274)
Total comprehensive income for the year/period		2,895	5,674	2,288	3,797	(3,464)
Attributable to:						
– Owners of the Target Company		2,858	5,627	2,242	3,826	(3,454)
– Non-controlling interests		37	47	46	(29)	(10)
		2,895	5,674	2,288	3,797	(3,464)

The accompany notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousand Euro)

		As at 31 December			As at 30 June
		2016	2017	2018	2019
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Non-current assets					
Property, plant and equipment	16	23,216	22,614	25,365	25,369
Right-of-use assets	17	–	–	–	7,068
Intangible assets	18	10,356	10,777	12,031	13,035
Interest in an associate	20	–	2,440	2,768	2,791
Deferred tax assets	29	2,543	2,134	2,235	3,181
		36,115	37,965	42,399	51,444
Current assets					
Inventories	21	73,259	85,550	97,668	112,989
Trade receivables	22	36,187	37,988	46,929	49,244
Other receivables and other assets	22	6,871	7,568	9,496	9,698
Receivables due from affiliated companies	25	759	173	5	5
Current tax recoverable		33	391	2,429	1,299
Pledged bank deposits	23	408	722	819	986
Cash and cash equivalents	23	11,825	13,549	11,321	3,632
		129,342	145,941	168,667	177,853
Current liabilities					
Trade and other payables	24	21,676	23,663	29,297	31,845
Advance from customers		15,711	8,307	–	–
Finance lease liabilities/ lease liabilities	17	52	51	9	889
Contract liabilities	24	–	–	13,843	16,362
Liabilities due to affiliated companies	25	550	–	514	133
Bank loans	27	58,496	72,785	69,289	99,276
Other provisions	28	2,123	5,283	3,006	2,543
Current tax liabilities		367	1,435	194	183
		98,975	111,524	116,152	151,231
Net current assets		30,367	34,417	52,515	26,622
Total assets less current liabilities		66,482	72,382	94,914	78,066

		As at 31 December			As at 30 June
		2016	2017	2018	2019
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Non-current liabilities					
Employee benefit obligations	26	1,813	2,075	2,242	2,803
Deferred tax liabilities	29	504	516	1,107	539
Bank loans	27	–	–	19,800	–
Finance lease liabilities/ lease liabilities	17	57	5	34	6,235
Other payables	24	43	30	31	34
Other provisions	28	918	972	628	847
		3,335	3,598	23,842	10,458
NET ASSETS		63,147	68,784	71,072	67,608
CAPITAL AND RESERVES	30				
Share capital		13,543	13,543	13,543	13,543
Other reserves		46,030	45,713	45,714	45,809
Retained earnings		3,312	9,256	11,497	7,948
Total equity attributable to owners of the Target Company		62,885	68,512	70,754	67,300
Non-controlling interests		262	272	318	308
TOTAL EQUITY		63,147	68,784	71,072	67,608

The accompany notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousand Euro)

		Attributable to owners of the Target Company						
	Note	Share capital EUR'000	Other reserve EUR'000	Currency translation reserve EUR'000	Retained earnings EUR'000	Total EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
Balance at 1 January 2016		13,543	20,000	44	550	34,137	225	34,362
Profit for the year		–	–	–	2,813	2,813	27	2,840
Other comprehensive income		–	–	96	(51)	45	10	55
Total comprehensive income for the year		–	–	96	2,762	2,858	37	2,895
Conversion of shareholders' loans	30	–	25,890	–	–	25,890	–	25,890
Balance at 31 December 2016 and 1 January 2017		13,543	45,890	140	3,312	62,885	262	63,147
Profit for the year		–	–	–	5,987	5,987	68	6,055
Other comprehensive income		–	–	(317)	(43)	(360)	(21)	(381)
Total comprehensive income for the year		–	–	(317)	5,944	5,627	47	5,674
Dividends paid to non-controlling interests		–	–	–	–	–	(37)	(37)
Balance at 31 December 2017 and 1 January 2018		13,543	45,890	(177)	9,256	68,512	272	68,784
Profit for the year		–	–	–	2,233	2,233	50	2,283
Other comprehensive income		–	–	1	8	9	(4)	5
Total comprehensive income for the year		–	–	1	2,241	2,242	46	2,288
Balance at 31 December 2018		13,543	45,890	(176)	11,497	70,754	318	71,072
Balance at 31 December 2017 and 1 January 2018		13,543	45,890	(177)	9,256	68,512	272	68,784
Profit for the period		–	–	–	3,826	3,826	(77)	3,749
Other comprehensive income		–	–	13	(13)	–	48	48
Total comprehensive income for the year		–	–	13	3,813	3,826	(29)	3,797
Balance at 30 June 2018		13,543	45,890	(164)	13,069	72,338	243	72,581
Balance at 31 December 2018 and 1 January 2019		13,543	45,890	(176)	11,497	70,754	318	71,072
Loss for the period		–	–	–	(3,174)	(3,174)	(16)	(3,190)
Other comprehensive income		–	–	95	(375)	(280)	6	(274)
Total comprehensive income for the period		–	–	95	(3,549)	(3,454)	(10)	(3,464)
Balance at 30 June 2019		13,543	45,890	(81)	7,948	67,300	308	67,608

The accompany notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousand Euro)

		Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
					(unaudited)	
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Profit/(loss) before taxation		3,758	7,899	3,469	5,994	(4,743)
Adjustments for:						
(Reversal of allowance)/allowance for doubtful receivables		(143)	2,196	(532)	(14)	2,588
(Reversal of write-down)/write down of inventories		(654)	(311)	(261)	7	(448)
Depreciation of property, plant and equipment	16	2,225	2,639	2,802	1,379	1,435
Depreciation of right-of-use assets	17	–	–	–	–	453
Amortisation of intangible assets	18	728	1,558	1,233	666	574
Finance costs	10	1,642	1,239	1,465	683	891
Reversal of other provisions	9	(765)	(597)	(2,703)	(161)	(693)
Share of profit of an associate		–	(40)	(328)	(14)	(23)
Operating profit before working capital changes		6,791	14,583	5,145	8,540	34
Changes in inventories		(1,958)	(11,980)	(11,857)	(8,349)	(14,873)
Changes in trade and other receivables		9,016	(4,780)	(12,304)	(3,241)	(4,142)
Changes in advances from customers/ contract liabilities		1,750	(7,404)	5,536	(402)	2,519
Changes in provisions		1,609	4,002	276	2,066	508
Changes in trade and other payables		(9,706)	1,628	5,723	(2,723)	2,543
Interest paid		(64)	(444)	(117)	(50)	(132)
Income taxes (paid)/refund		(702)	(305)	(1,907)	11	192
Net cash generated from/(used in) operating activities		6,736	(4,700)	(9,505)	(4,148)	(13,351)
Investing activities						
Payment for acquisition of an associate		–	(2,400)	–	–	–
Payment for acquisition of property, plant and equipment		(2,990)	(2,553)	(5,725)	(4,316)	(1,407)
Proceeds from sale of property, plant and equipment and intangible assets		665	309	223	96	4
Payment for acquisition of intangible assets		(2,585)	(1,983)	(2,532)	(1,228)	(1,577)
Net cash used in investing activities		(4,910)	(6,627)	(8,034)	(5,448)	(2,980)

		Year ended 31 December			Six months ended 30 June	
		2016	**2017**	**2018**	**2018**	**2019**
					(unaudited)	
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Financing activities						
Capital element of lease rentals paid		(108)	(53)	(64)	(24)	(424)
Proceeds from new bank loans		82,800	122,200	86,472	5,500	63,075
Repayment of bank loans		(70,550)	(107,900)	(70,100)	(3,000)	(53,009)
Proceeds from loans due to affiliated companies		–	–	1,157	776	–
Repayment of loans due to affiliated companies		(4,200)	–	(776)	–	(381)
Interest element of lease rentals paid		(4)	(2)	(4)	(1)	(141)
Other borrowing costs paid		(1,474)	(1,050)	(1,348)	(392)	(498)
Net cash generated from financing activities		6,464	13,195	15,337	2,859	8,622
Net increase/(decrease) in cash and cash equivalents		8,290	1,868	(2,202)	(6,737)	(7,709)
Cash and cash equivalents at the beginning of the year/period		3,546	11,825	13,549	13,549	11,321
Effect of foreign exchange rate changes		(11)	(144)	(26)	(25)	20
Cash and cash equivalents at the end of the year/period	23(b)	11,825	13,549	11,321	6,787	3,632

The accompany notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousand Euro unless otherwise indicated)

1. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Target Company was incorporated in Germany on 14 August 2013 as an exempted company with limited liability under the laws of Germany.

The Target Company is registered under number HRB 730059 in the companies register of the local court of Ulm under the name Albert Ziegler GmbH with its registered office in Giengen, Germany.

The Target Group is engaged primarily in the manufacture and marketing of fire-fighting vehicles and technical fire-fighting accessories. The core competencies of the Target Group lie in the manufacture and the sale of fire-fighting vehicles, special vehicles, pumps, fire hoses and items of fire-fighting equipment for fighting fires and rescuing people. The Target Group's products range from standard and special vehicles for industry, local authorities and other state institutions to large airport fire-fighting vehicles and specific vehicles specially for protecting lives and properties, plus their respective spare parts and after-sale services. The Target Group's production sites are located in Europe and Asia, while the products are sold internationally.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the significant accounting policies adopted are set out in Note 4.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2019. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2019 are set out in Note 3.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The financial statements of the components of the Target Group of which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in countries in which they were incorporated and/or established.

As at the date of this report, the Target Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Held by the Target Company	Proportion of ownership interest: Held by a subsidiary of the Target Company	Principal activities	Name of statutory auditor
Directly held						
Albert Ziegler Feuerschutz GmbH	Germany	77 ordinary shares	100%	–	Manufacturing and sales of fire vehicles	Clauß GmbH Wirtschafsprüfun-gsgesellschaft, Stuttgart
Ziegler Feuerwehrgerätetechnik GmbH & Co. KG	Germany	950 ordinary shares	100%	–	Manufacturing and sales of fire vehicles	KKF Gmbh Wirtschafs-prüfungsge- sellschaft, Chemnitz
Ziegler Verwaltungsgesellschaft mbH	Germany	30 ordinary shares	100%	–	Management Company	Note
Ziegler Auslandsholding GmbH	Germany	30 ordinary shares	100%	–	Management Company	Note
Ziegler GmbH	Germany	25 ordinary shares	100%	–	Management Company	Note
Ziegler Safety GmbH & Co. KG	Germany	1,000 ordinary shares	100%	–	Trading of fire vehicles and freighting equipment	Note
Ziegler Dutch Holding B.V	The Netherlands	10 ordinary shares	100%	–	Management Company	Note
Ziegler d.o.o	Croatia	1,558 ordinary shares	100%	–	Manufacturing and sales of fire vehicles	Kulic i Sperk Revizija d.o.o
P. T. Ziegler Indonesia	Indonesia	1,238 ordinary shares	92%	–	Manufacturing and sales of fire vehicles	RSM Indonesia
Ziegler Italiana S.r.l	Italy	10 ordinary shares	100%	–	Manufacturing and sales of fire vehicles	EUROAUDIT GmbH/SRL
Ziegler Hasicska Technika s.r.o.	The Czech Republic	78 ordinary shares	100%	–	Trading of fire vehicles and freighting equipment	Note
Indirectly held						
Albert Ziegler GmbH (Beijing) Sales Co.	China	1,388 ordinary shares	–	100%	Wholesale and after-sales services of fire vehicles	Pan-China Certified Public Accountants LLP
Ziegler Brandweertechniek B.V	The Netherlands	465 ordinary shares	–	100%	Manufacturing and sales of fire vehicles	KPMG Netherlands
Visser B.V	The Netherlands	18 ordinary shares	–	95%	Manufacturing and sales of fire vehicles	KPMG Netherlands
Signalis B.V	The Netherlands	18 ordinary shares	–	100%	Management Company	Note

Note: Those companies are not subject to statutory audit.

All companies comprising the Target Group have adopted 31 December as their financial year end date.

2. EFFECT OF NEW AND AMENDED STANDARDS

The Target Group has applied all new and revised standards, amendments and interpretations that have been published by the HKICPA and have become effective. They have been adopted for the preparation of the consolidated financial statements during the Relevant Periods at their respective effective dates.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, Long-term interest in associates and joint ventures	1 January 2019

HKFRS 9 – Financial Instruments

HKFRS 9 "Financial Instruments" amends the accounting requirements for the classification and measurement of financial assets, for impairments of financial assets and for hedge accounting.

No significant effects resulted from the classification of financial assets in accordance with HKFRS 9. The classification of financial liabilities under HKFRS 9 is unchanged from the accounting requirements in accordance with HKAS 39.

HKFRS 9 replaces the "incurred loss model" of HKAS 39 with a forward-looking "expected credit loss" model. This requires significant judgements concerning the question of to what extent the expected credit losses are influenced by changes in the economic factors. This assessment is determined on the basis of weighted probabilities.

The new impairment model has to be applied to financial assets that are measured at amortised cost or fair value through other comprehensive income ("FVOCI") – recycling as well as to contract assets.

In accordance with HKFRS 9, loss allowances are measured on one of the following bases:

– 12-month credit losses: these are expected credit losses on account of possible default events within twelve months after the reporting date

– lifetime credit losses: these are expected credit losses on account of all possible default events during the expected life of a financial instrument.

The measurement in accordance with the concept of the lifetime credit losses has to be applied if the credit risk of a financial asset on the reporting date has increased significantly since initial recognition; otherwise, the measurement in accordance with the concept of the 12-month credit losses has to be applied. A company can determine that the credit risk of a financial asset has not increased significantly if the asset features a low credit risk on the reporting date. The measurement in accordance with the concept of lifetime credit losses always has to be applied, however, to trade receivables and to contract assets that do not have a significant financing component.

Upon initial recognition in the 2018 financial year and afterwards, the impairment losses for assets within the scope of application of the impairment model of HKFRS 9 did not have any significant effects. The background to this is the fact that the customer base in Germany consists predominantly of local authorities, cities and fire brigades where the probability of default is close to zero. International customers are secured for the most part by means of letters of credit ("LC") and LC transactions.

HKFRS 15 – Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Target Group has elected to use the modified retrospective method and has concluded that the initial adoption of HKFRS 15 had no material impact on the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Target Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Prior to 1 January 2018, revenue arising from provision of services was recognised over time, whereas revenue from sales of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Target Group recognises revenue from sale of goods and provision of services.

B. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Target Group has an unconditional right to consideration. If the Target Group recognises the related revenue (see Note 4(r)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Target Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Target Group has reclassified receipts in advance amounting to EUR8,307,000 from advance from customers to contract liabilities at 1 January 2018.

C. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Target Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if HKAS 18 had continued to apply instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15	**Hypothetical amounts under HKAS 18**	**Difference: Estimated impact of adoption of HKFRS 15 in 2019**
	(A)	(B)	(A)-(B)
	EUR'000	*EUR'000*	*EUR'000*
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Current liabilities:			
Advance from customers	–	13,843	(13,843)
Contract liabilities	13,843	–	13,843

HKFRS 16 – Leases

HKFRS 16 amends the accounting requirements for rental agreements and leases. The core aim of HKFRS 16 is to recognise all leases, irrespective of whether they are operating or finance leases according to the criteria of the previous HKAS 17, in the accounting as the lessee. A right of use and a lease liability have to be recognised in the statement of financial position for all leases in the future. Exceptions exist only for short-term or low-value leases. During the term of the lease contract, the lease liabilities are updated in a way similar to the regulations pursuant to HKAS 17 for finance leases, while the right of use is systematically amortised. Only minor changes arise for the lessor as a result of the new standard.

The Target Group opted to use the modified retrospective method to implement HKFRS 16 as of 1 January 2019. The comparative figures of the previous years and the six months ended 30 June 2018 were not restated. As part of this transition, right-of-use assets amounting to EUR7,358,000 and lease liabilities of EUR7,359,000 were recognised as of 1 January 2019.

The former assessment of the existence of a lease in accordance with HKAS 17 and HK(IFRIC) 4 was retained for existing contracts. In the first-time application of HKFRS 16, the Target Group utilises the exemptions for short-term leases and leases of low-value assets. Accordingly, the Target Group does not apply HKFRS 16 to leases that end within twelve months of the date of first-time application or to leases of low-value assets. Lease payments from these leases are recognised on a straight-line basis over the term of the lease as expense relating to short-term leases.

The reconciliation of the operating lease commitments as of 31 December 2018 with the lease liabilities recognised as of 1 January 2019 is as follows:

	1 January 2019
	EUR'000
Minimum lease payments from operating leases as of 31 December 2018	10,116
Minimum lease payments of finance lease liabilities as of 31 December 2018	52
Exemptions for short-term leases	(578)
Exemptions for leases of low-value assets	(674)
Gross lease liabilities as of 1 January 2019	8,916
Discounting	(1,557)
Additional lease liabilities due to initial application of HKFRS 16 as of 1 January 2019	7,359

The weighted average incremental borrowing rate for discounting of lease liabilities at the date of initial application amounted to 4%.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE NOT YET COME INTO FORCE

The following new or amended accounting standards adopted by the HKICPA have not been taken into consideration in the Historical Financial Information, as there was not yet an obligation to apply them.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been drawn up on the basis of the historical cost principle.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain key accounting estimates. Furthermore, the management has to exercise its discretion in the application of the accounting principles. Areas of the accounting that require increased application of estimates or assumptions or that are complex and areas that are key for the Historical Financial Information are discussed in Note 5.

(a) Consolidation

In addition to the Target Company, all key German and international subsidiaries where the Target Group directly or indirectly has the decision-making power over the relevant activities in order to manage its own variable returns from them are included in the consolidated financial statements. Inclusion starts and ends at the time from which control is gained or lost.

If the parent company loses control over a subsidiary, a profit or loss as the difference between the fair value of the consideration and the fair value of all retained interests and the carrying amount of the assets (including goodwill) and the liabilities of the subsidiary and all non-controlling interests is recognised in profit or loss at the time that control is lost.

Companies at which the Target Group directly or indirectly has the possibility of exerting a material influence on the financial and operating policy decisions (associated companies) are measured in accordance with the at-equity method. Changes in the pro rata equity of the associated company that are recognised directly in equity are also taken into account directly in equity in the consolidated financial statements here. At the companies measured using the at-equity method, the same accounting policies are used in principle as the basis for determining the pro rate equity.

Intragroup transactions, balances and interim profits are eliminated. Unrealised losses are also eliminated if the transaction does not provide a reference to the loss allowance for the asset transferred. Uniform accounting policies form the basis for the annual financial statements of the companies included in the consolidated financial statements. The separate financial statements of the consolidated companies are drawn up on the reporting date of the consolidated financial statements.

Non-controlling interests represent the shares in the equity of the subsidiaries that cannot be attributed either directly or indirectly to the parent company. These shares are presented separately in the consolidated statement of financial position and the consolidated statement of changes in equity. The shares of the profit attributable to the shareholders of Albert Ziegler GmbH and attributable to non-controlling interests are differentiated in the consolidated statement of comprehensive income.

Profit or loss and each element of the other comprehensive income are allocated to the shareholders of the Target Group and the non-controlling interests even if this results in the shares of profit of the non-controlling interests having a deficit balance.

(b) Business combinations

The purchase method is applied for the acquisition of a subsidiary in a business combination. The costs of the acquisition are measured at the fair value at the time assets and equity instruments are transferred, liabilities are assumed and the consideration is transferred. Costs related to a business combination are recognised in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities acquired as well as contingent liabilities of the subsidiaries that are assumed upon acquisition are measured at their fair value on the acquisition date.

The acquisition date is the date on which the acquirer obtains control of the acquiree.

Goodwill results from the acquisition of subsidiaries and represents the excess of the consideration transferred, of the value of all non-controlling interests in the acquiree and of the fair value of all previous investments in the acquiree at the acquisition date over the fair value of the identifiable net assets acquired. If the sum produced from the consideration transferred, non-controlling interests and the shares already held measured at fair value is lower than the fair value of the net assets of the subsidiary taken over, the resulting net liability is recognised in profit or loss as profit in the statement of comprehensive income after a reassessment to check whether the assets acquired and liabilities assumed have been correctly identified.

The goodwill is not amortised, but must be subjected to regular impairment tests in accordance with HKAS 36. The review of the impairment has to be conducted at the level of the cash-generating units, as goodwill cannot in principle generate cash flows independently of other assets. Accordingly, goodwill always has to be allocated to individual or several cash-generating units.

The non-controlling interests in the subsidiary are measured using the share of the non-controlling shareholder at the net fair value of the identified assets and liabilities on the acquisition date and continued as non-controlling interests in the equity.

(c) Foreign exchange

(i) Functional currency and reporting currency

The items contained in the consolidated financial statements of all consolidated entities are measured on the basis of the currency that corresponds to the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are drawn up in EUR, which represents the reporting currency and the functional currency of the parent company.

(ii) Transactions and balances in the annual financial statements of the consolidated entities

Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Monetary assets and liabilities in a foreign currency are translated at the exchange rates at the end of each of the Relevant Periods (closing rate). Gains and losses that result from the fulfilment of transactions of this kind are recognised in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (historical rates).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the time the fair value is determined (historical rates).

(iii) Foreign exchange translation in the consolidation

The results and the line items in the statements of financial position of all consolidated entities using a functional currency that is different from the reporting currency of the parent company are translated as follows:

– Assets and liabilities are translated for each reporting date at the closing rate;

– The equity is translated at historical rates at the international companies included in the consolidated financial statements;

– Income and expenses are translated for each item of the statement of comprehensive income at the period average rate, while the relevant historical rate is used as the basis for translation profit and loss carryforwards; and

– All resulting exchange differences are recognised in the equity within the other comprehensive income.

On consolidation, exchange rate differences arising from the translation of net investments in international subsidiaries are recognised in other comprehensive income. Upon the sale of an international subsidiary, translation differences of this kind are reclassified to profit or loss in the consolidated statement of comprehensive income.

Goodwill and adjustments to the fair value that have arisen upon the acquisition of an international entity are treated as assets and liabilities of the international entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment includes land and buildings, plant and equipment as well as operating and office equipment.

Property, plant and equipment are measured in the initial measurement at acquisition and production costs and the subsequent measurement at cost less accumulated depreciation and impairments. In the case of company acquisitions, the acquisition costs are determined in principle on the basis of the fair value.

Historical acquisition costs of property, plant and equipment contain their purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The acquisition costs furthermore include directly attributable costs that are incurred in order to bring the asset to the site and in the required operational condition intended by the management as well as the estimated costs for dismantling and removing the object and restoring the site at which it is located.

Subsequent acquisition costs are recognised as part of the cost of acquisition or production of the asset or – if appropriate – as a separate asset only if it is probable that they will produce economic benefits in the future and the costs of the asset can be measured reliably. Repair and maintenance costs are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Land is not depreciated. All other assets are depreciated exclusively using the straight-line method, where the costs of acquisition and production and the fair values are written down to the residual carrying amount over the expected useful life of the asset as follows:

– Land and buildings	20 – 33 years
– Technical plant and equipment	3 – 15 years
– Other plant, operating and office equipment	3 – 15 years

The items of the property, plant and equipment are tested for impairment in accordance with HKAS 36 if there are objective indications that their value has been impaired.

Assets under construction concern buildings under construction and plant and equipment pending installations and are recognised at cost of acquisition and production less unscheduled impairments. The depreciation starts when the relevant assets are ready for operation.

The carrying amount of an item of property, plant and equipment has to be derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses from disposals of property, plant and equipment are calculated as the difference between the sales proceeds and the carrying amounts of the property, plant and equipment and recognised in the statement of comprehensive income.

(e) Intangible assets

(i) Brands, technology and order backlogs

Brands, technology and order backlogs acquired in the course of a company acquisition are measured at fair value on the acquisition date.

Technology and order backlogs have a limited useful life and are measured at cost or at fair value less accumulated depreciation. Depreciation is carried out on a straight-line basis over estimated useful lives of up to six years.

The brand has an indefinite useful life and is not amortised. An impairment test in application of HKAS 36 is carried out for the brand at regular intervals – at least once a year. The useful life of the brand is reviewed once a year each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

(ii) Software

Computer software licences that are acquired are capitalized on the basis of the costs that are incurred upon acquisition and also for preparing the software for its intended use. These costs are depreciated in principle over an estimated useful life of three years.

Costs in connection with the maintenance of computer software programs are recognised as an expense.

(iii) Internally generated intangible assets

To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into a research phase and a development phase.

No intangible asset arising from research or from the research phase of an internal project may be recognised. Expenditure on research or on the research phase of an internal project shall be recognised as an expense when it is incurred.

An intangible asset arising from development or from the development phase of an internal project shall be recognised if, and only if, the following can be demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the entity intends to complete the intangible asset and use or sell it;

– the entity is able to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits, e.g. the existence of a market for the output of the intangible asset;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

– the expenditure attributable to the intangible asset during its development can be reliably measured.

The capitalised costs include costs of materials, labour costs and attributable general overheads.

The amortisation of the intangible asset is carried out on a straight-line basis over the estimated expected useful life within which future economic benefits can be generated from the intangible asset. Useful life ranges between 3-8 years.

The carrying amount of an intangible asset has to be derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses from disposals of intangible assets are calculated as the difference between the sales proceeds and the carrying amounts of the intangible assets and recognised in the statement of comprehensive income.

(f) Impairment of assets

The carrying amounts of the tangible and intangible assets, with the exception of inventories, assets from construction contracts, deferred tax assets and receivables, are reviewed to see if any impairments are present.

An impairment test is carried out for assets with an indefinite useful life at regular intervals – at least once a year – irrespective of whether there are indications of an impairment.

In the case of assets with a limited useful life, an assessment is made to begin with to see whether there are indications that an impairment might have occurred. If there is an indication of this, the recoverable amount of the asset is estimated in order to determine the scope of the impairment. If it is not possible to calculate the recoverable amount of an individual asset, an estimate of the recoverable amount of the cash-generating unit to which the asset belongs is carried out.

The recoverable amount is the higher of the fair value less costs of disposal and its value in use. When the value in use is determined, the expected future cash flows are discounted to their present value on the basis of a discount rate before tax that reflects the current market expectations concerning the time value of money and the specific risks of the asset.

If the recoverable amount of an asset or a cash-generating unit is expected to be lower than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to the recoverable amount. A loss allowance is recognised in profit or loss as incurred.

If an impairment is reversed, the carrying amount of the asset or of the cash-generating unit is increased to the newly estimated recoverable amount, in such a way, however, that the increased carrying amount does not exceed the carrying amount that would have been calculated (less depreciation and impairment) if a loss allowance had not been recognised for the asset or the cash-generating unit in the previous years. The reversal of impairment is recognised immediately in profit or loss.

(g) Leases

(A) Policy applicable from 1 January 2019

A lease is a contract that transfers the right to control the use of an identifiable asset for a period of time to its user (lessee) in exchange for consideration. A portion of the asset is identifiable if it is a physically distinct portion. In contrast, a portion of the asset that is not physically distinct only constitutes an identifiable asset if a material portion of the capacity is available to the lessee over the term.

For a contract that is, or contains, a lease, each lease component within the contract is accounted for separately from non-lease components, unless practical expedients according to HKFRS 16 are applied.

If a contract contains a lease component or a combination of lease and sale transactions, the consideration is allocated to the various lease and non-lease components when the contract is concluded and whenever it is remeasured on the basis of the relative stand-alone price.

In the reporting period, the Target Group is the lessee of leases in this sense relating to the use of operating land and buildings and of operating office equipment.

The right-of-use-asset at the commencement date is measured at cost. Lease liabilities at the commencement date are measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using either the interest rate implicit in the lease or else the Target Company's incremental borrowing rate. After the commencement date, the Target Company applies a cost model at which the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment loses and adjusted for any remeasurement of the lease liability specified in HKFRS 16. The lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications specified in HKFRS 16 or to reflect revised in-substance fixed lease payments.

The former assessment of the existence of a lease in accordance with HKAS 17 and HK(IFRIC) 4 was retained for existing contracts. In the first-time application of HKFRS 16, the Target Group utilises the exemptions for short-term leases and leases of low-value assets. Accordingly, the company does not apply HKFRS 16 to leases that end within twelve months of the date of first-time application or to leases of low-value assets. Lease payments from these leases are recognised on a straight-line basis over the term of the lease as expense relating to short-term leases.

The reconciliation from the unrecognised minimum lease payments on 31 December 2018 to the recognised lease liability as of 1 January 2019 and the transitional disclosures are included in Note 2.

(B) Policy applicable prior to 1 January 2019

A lease in accordance with HKAS 17 and HK(IFRIC) 4 is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease. The Target Group as a lessee holds assets under operating lease as well as finance lease.

(i) Operating lease

Lease contracts in which not all risks and rewards substantially incident to ownership are taken over by the lessee are accounted for as "operating leases". Lease payments (net after the incentives received from the lessor are taken into account) are recognised in profit or loss over the lease term.

(ii) Finance lease

Lease contracts in which all risks and rewards of the asset that are substantially incidental to ownership are transferred are designated "finance leases". The asset is recognised at the lower of the fair value of the leased asset and present value of the minimum lease payments. The difference between the reported amount of the leased asset and the minimum lease payments is treated as unrecognised finance costs and amortised in accordance with the effective interest method over the term of the lease. Long-term lease liabilities are measured based on the amount that corresponds to the minimum lease payments less unrecognised finance costs.

Each lease payment is divided into a principal portion and an interest portion. The interest portion of the finance costs is recognised in profit or loss over the lease period, resulting in a constant rate of return on the remaining liability over the periods. Property, plant and equipment that have been acquired through a finance lease are depreciated over the shorter of the useful life of the asset and the lease term.

At the end of the reporting period, long-term payables arising from finance leases, net of the unrecognised finance charges, are presented as long-term payables or non-current liabilities due within one year, respectively, in the statement of financial position.

(h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The non-derivative financial assets are classified into the following categories: financial assets that are measured at fair value through profit or loss, held-to-maturity investments, loans and receivables as well as available-for-sale financial assets.

Non-derivative financial liabilities are classified into the following categories: financial liabilities that are measured upon initial recognition at fair value through profit or loss less directly attributable transaction costs (with the sub-categories voluntarily designated and held for trading) and at amortised cost in the course of the subsequent measurement.

Regular purchases and sales of financial assets are recognised on the trade date. The trade date is the date on which the commitment to purchase or sell the asset is entered into. Investments are accounted for at the fair value plus transaction costs for all financial assets that are not included in the category "measured at fair value through profit or loss". Financial assets that belong to this category are recognised at the fair value in the subsequent measurement. Related transactions costs are recognised in profit or loss. Borrowings and receivables are accounted for at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset are extinguished, essentially all risks and rewards incidental to ownership have been transferred or essentially all risks and rewards that are associated with ownership have neither been transferred nor retained, but control over the asset is no longer available. When a financial asset is derecognised, the difference between the carrying amount of the asset and the sum of the consideration received and the accumulated profit or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability that has been derecognised and the consideration that has been paid is recognised in profit or loss.

(i) Inventories

Inventories are assets that are held for sale in the ordinary course of business, that are in the process of production for such sale or are intended in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are recognised at the lower of cost and net realisable value. The acquisition or production costs of raw materials, consumables and supplies as well as merchandise are based on the average cost method. In contrast, work in progress as well as finished goods are measured based on the first in, first out method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and in their present condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes, transport, handling and other costs that can be directly attributed to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on the normal capacity of the production facilities.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

Appropriate valuation discounts are made for the inventories of raw materials, consumables and supplies depending on turnover and range.

When inventories are sold, the carrying amount of those inventories has to be recognised as an expense in the period in which the related revenue is recognised. All impairments of inventories have to be recognised as an expense in the period in which the impairments are carried out.

(j) Trade receivables, receivables due from affiliated companies as well as other receivables and other assets

(A) Policy applicable from 1 January 2018

Trade receivables arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable figures reflecting present economic conditions.

Collective loss allowances are recognised on the carrying amount of receivables that are already due. The expected credit losses on trade receivables are measured using an impairment matrix. In the impairment matrix, the expected loss over the remaining term is calculated at the end of the reporting period as a flat-rate percentage depending on the period past due. Probabilities of default are calculated using historical credit losses, but must be adjusted at the end of the reporting period according to the latest information and expectations.

Since initial application of HKFRS 9 on 1 January 2018 the Target Group meets requirements of HKFRS 9 by implementing a three-step-approach for measuring allowances to trade receivables.

(1) Receivables that are individually significant and impairment provided on an individual basis

(2) Receivable that are individually insignificant but impairment provided on an individual basis

(3) Receivables that are assessed for impairment on a collective group basis

If receivables that are assessed for impairment on a collective group basis are past due for a particular amount of time, loss allowances are recognised on the net amount at the following rates:

< 12 months 5%

> 12 months 30%

> 24 months 100%

Loss allowances are reversed and recognised in profit or loss if an increase in the recoverable amount of the receivables can objectively be attributed to an event that has occurred after the loss allowance was recognised, subject to the restriction that the carrying amount of the receivables at the time of the reversal of impairment does not exceed the amortised cost that results if the impairment had not been recognised.

(B) Policy applicable prior to 1 January 2018

Trade receivables, receivables due from affiliated companies as well as other receivables and other assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and are recognised at fair value and are subsequently measured at amortised cost using the effective interest method after deducting impairments. A provision of doubtful debt is assessed if there are objective indications that not all the amounts will be collected in accordance with the original terms and conditions of the receivables.

Appropriate individual provision of doubtful debts are created on the net amount of receivables that are already due. The formation of collective provision of doubtful debts for groups of similar receivables is also permitted.

Provision of doubtful debts are reversed and recognised in profit or loss if an increase in the recoverable amount of the receivables can objectively be attributed to an event that has occurred after the provision of doubtful debt was recognised, subject to the restriction that the carrying amount of the receivables at the time of the reversal of impairment does not excess the amortised cost that results if the impairment had not been recognised.

(k) Cash and cash equivalents

Within the meaning of the statement of cash flows, cash and cash equivalents comprise bank balances, cash in hand, demand deposits at banks and other financial institutions and other current, highly liquid financial investments with a total term of up to three months that can be readily converted into specific cash amounts and are subject only to immaterial fluctuations in value.

Please refer to Note 4(h) in all other respects.

(l) Financial liabilities

The principles relating to financial liabilities are presented in Note 4(h).

Financial liabilities are initially recognised at their fair value less the transaction costs incurred and subsequently measured at their amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the unconditional right to defer settlement of the liability for a period of at least 12 months after the reporting date is granted.

(m) Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until the asset is ready for its intended use or sale.

There were no qualifying assets pursuant to HKAS 23 either in the previous year or by the reporting date, with the result that no borrowing costs were capitalised within the intangible assets and the property, plant and equipment.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation are to be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate has to be based on the weighted average of the borrowing costs applicable to financial liabilities of this kind that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(n) Trade and other payables

Trade and other payables, including amounts owed to related entities as well as tax liabilities, are non-derivative financial liabilities and are recognised at their fair value plus directly attributable transactions costs and continued at amortised cost using the effective interest method, unless the effect of discounting is immaterial. In this case, the liabilities are reported at cost. Liabilities are classified as current liabilities if payment is due within one year and reported as non-current liabilities in all other respects.

(o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity is the residual interest produced from recognised assets less liabilities.

Equity instruments that are issued are recognised at the proceeds received less the direct costs of issue.

(p) Employee benefits

(i) Current employee benefits

Obligations from current employee benefits are recognised as an expense as soon as the related service is rendered. A liability has to be recognised for the amount expected to be paid if the Target Group currently has a legal or actual obligation to pay this amount on account of a service rendered by the employee and the obligation can be reliably estimated.

(ii) Pension obligations

A defined contribution plan is a pension plan under which fixed contributions are paid to a separate company. There is no legal or actual obligation to pay additional contributions if the Target Company does not hold adequate assets to settle the pension entitlements of all employees arising from the current and previous financial years. A defined benefit plan is a plan that is not a defined contribution plan.

Typically, defined benefit plans stipulate an amount of pension benefits that the employees will receive upon retirement and that generally depends on one or more factors such as age, the length of time served at the Target Company and salary.

The liability for defined benefit plans that is recognised in the statement of financial position corresponds to the present value of the defined benefit obligation on the reporting date. The defined benefit obligation is calculated on an annual basis by an independent actuarial expert using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the expected future cash outflows using the interest rate of corporate bonds with the highest credit rating. The corporate bonds are denominated in the currency of the payout amounts and features a term corresponding to the pension obligations.

The current service cost of the defined benefit plan that is recognised in the statement of comprehensive income concerns the increase in the defined benefit obligation resulting from the employee services in the current year.

Past service cost is recognised immediately in profit or loss.

The net interest is calculated by applying a discount rate to the net amount of the defined benefit obligation. This expense is included in the personnel expenses in the statement of comprehensive income.

Actuarial gains and losses, which are based on experience adjustments and amendments to actuarial assumptions, are recognised in equity in the other comprehensive income in the period in which they are incurred.

In the case of defined contribution plans, amounts are paid to public or private pension insurance institutes on account of a statutory or contractual obligation or voluntarily. No other payment obligations exist beyond the payment of the contributions. The contributions are recognised in the personnel expenses when the liability is incurred. When an employee has rendered service to an entity during a period, the entity has to recognise the contribution payable to a defined contribution plan in exchange for that service as a liability after deducting of amounts already paid. The amounts may have to be discounted. Defined contribution obligations exist essentially in conjunction with the statutory pension schemes in the countries in which the Target Group operates.

(iii) Jubilee benefits for employees

If employees are granted jubilee benefits for long service, a provision is created in the amount of the estimated liability based on the employee's length of service. The present value of the jubilee payments is calculated by discounting the future estimated cash outflows at the average interest rate of bonds during the previous seven years in the currency in which the benefits are paid and the terms of which correspond to those of the related jubilee payments.

(iv) Termination benefits

Termination benefits are paid if the employment relationship is ended before the normal retirement date or if employees voluntary terminate their employment in return for a severance payment. These benefits are recognised at the earlier of the following times: (a) when this offer of benefits can no longer be withdrawn or (b) when restructuring costs are recognised that are within the scope of HKAS 37 and this involves the payment of termination benefits. In the case of an offer to terminate the employment contract voluntarily in return for a severance payment, the termination benefits are measured on the basis of the number of employees who are expected to accept the offer. Benefits that fall due more than 12 months after the end of the reporting period are discounted to their present value.

(v) Employee holiday entitlements

Entitlements of employees to annual leave are recognised when the actual obligation is incurred. The estimated liability for annual leave in due consideration of the services performed by the employees is deferred until the reporting date.

Holiday entitlements of employees relating to illness and maternity leave are not recognised until the time the leave is taken.

(vi) Employee entitlements arising from flexible working hours

Entitlements of employees arising from flexible working hours are recognised when the actual obligation is incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities that are uncertain in terms of their timing or amount. These involve present legal or actual obligations that result from a past event and the settlement of which is expected to be associated with an outflow of resources embodying. In rare cases, it may not be clear whether there is a present obligation. In these cases, a provision is recognised if, taking account of all available substantial evidence, it is more likely than not that a present obligation exists at the reporting date. For an event to be an obligating event, it is necessary for there to be no realistic alternative to settling the obligation created by the event.

The recognition is made in the amount of the obligation upon reliable estimate. If these conditions are not met, a provision does not have to be recognised. The amount recognised as a provision represents the best possible estimate. If the effect of the time value of money is significant, the provisions are recognised at the present value of the expected payments.

Provisions have to be recognised among other things for semi-retirement, anticipated losses from executory contracts, bonuses and discounts, warranty obligations, pension obligations, litigation, restructuring measures and tax liabilities.

Provisions for anticipated losses can relate in principle to sales and procurement contracts as well as to continuing obligations. A premise for the recognition of a provision for anticipated losses as a liability is the presence of an onerous contract. This is a contract in which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it, and consequently there is an excess obligation.

Beyond individual cases that are known about, warranty provisions have to be formed at a flat rate on the basis of experience.

No contingent liabilities may be recognised.

Contingent liabilities are not recognised as liabilities because they are either

(i) possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits; or

(ii) present obligations that do not meet the recognition criteria for provisions (because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made).

(r) Revenue

(A) Policy applicable from 1 January 2018

Revenue is produced from the sale of goods (fire-fighting vehicles, special fire-fighting vehicles, pumps, fire hoses and protective equipment of all kinds) and the performance of services.

Vehicles as well as related equipment and spare parts, training courses and other services are sold both through separately identifiable contracts and in combination as a package of goods and services.

The Target Group has adopted HKFRS 15, *Revenue from Contracts with Customers* on 1 January 2018. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach:

(i) identify the contract(s) with a customer;

(ii) identify separate performance obligations in a contract;

(iii) determine the transaction price;

(iv) allocate transaction price to performance obligations; and

(v) recognise revenue when performance obligation is satisfied.

The Target Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Target Group recognises revenue when the specific criteria have been met for each of the activities, as described below.

(i) Sales of goods

Revenue for sales of fire engines and firefighting components are recognised when control of the goods has transferred. This is upon the transfer of the material risks and rewards that are associated with ownership, which takes place in principle when the goods are delivered and ownership passes to the customer.

(ii) Rendering of service

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue is measured at the fair value of the consideration received or receivable less trade discounts and volume rebates and recognised if it is probable that the economic benefit will be produced and the amount of the revenue can be reliably determined. Revenue excludes value added tax and other sales taxes and are reported after returns and deduction of trade discounts. Corresponding warranty provisions are recognised for warranties in accordance with legal requirements.

In the case of multi-component contracts, the allocation of the consideration to the individual components is now made on the basis of relative stand-alone selling prices. Stand-alone selling prices are determined on the basis of the list prices at which the Target Group offers the services in separate transactions. Based on the assessment of the Target Group, the fair values and the stand-alone selling prices of the services are generally comparable.

Liquidated damages are presented as a transaction price reduction and subsequently as a decrease in revenue.

(iii) Presentation of assets and liabilities related to contracts with customers

Contract liabilities are recognised in relation to advance received from customers for non-cancellable contracts, which were previously included in advance payments from customers.

Impact of adoption

The Target Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Advance payments from customers at an amount of EUR 8,307,000 were recognised as contract liabilities in the consolidated statement of financial position at the date of initial application.

(B) Policy applicable prior to 1 January 2018

Revenue is the gross inflow of economic benefit in the periods arising in the course of the Target Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Target Group, the revenue and costs can be measured reliably and the following respective conditions are met.

Revenue is measured at the fair value of the consideration received or receivable. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

– The significant risks and rewards of ownership of goods have been transferred to the buyer, which generally coincides with the time when the goods are delivered and the title has passed to the customers;

– The Target Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

(ii) Rendering of services

Revenue from rendering of services is measured at the fair value of the considerations received or receivable under the contract or agreement.

At the end of the reporting period, where outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the progress of work performed.

Where outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(s) Income taxes

Income taxes comprise current and deferred taxes. The taxes are recognised in the statement of comprehensive income for each of the year of Relevant Periods, unless they relate to items that have been previously recognised directly in equity or in the other comprehensive income. In this case, the taxes are also recognised in equity or in the other comprehensive income.

The current tax expenses are based on the taxable profit for the period. The taxable income is different from the profit reported in the statement of comprehensive income due to temporary or permanent differences.

Deferred taxes are recognised for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax values that are applied when calculating the taxable income. Deferred tax assets on tax loss carryforwards are recognised to the extent in which the realisation of the related tax benefits is probable as a result of future taxable profits.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it seems probable that future taxable profits will be available that will allow deductible temporary differences, unused tax losses or unused tax credits to be used. Assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that does not have an impact on the taxable profit or on the accounting profit.

Deferred tax assets are recognised in the event of deductible temporary differences in conjunction with shares in subsidiaries only if it is probable that the temporary differences will be reversed in the future and sufficient taxable income will be available against which the temporary difference can be used.

The carrying amount of the deferred tax assets is reviewed on each reporting date and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of the deferred tax assets to be utilised.

Deferred taxes are measured using the expected tax rates that are applicable on the reporting date on which the obligations are settled or the receivables are realised, namely on the basis of the tax rates applicable in law up to the end of the reporting period. Deferred taxes are recognised in profit or loss, unless they relate to items that have been previously recognised directly in equity or in the other comprehensive income. In this case, the deferred taxes are also recognised in equity or in the other comprehensive income.

The measurement of the deferred tax assets and liabilities reflects the tax consequences that follow from the manner in which the carrying amount of the assets is expected to be realised or the liabilities are expected to be settled as of the reporting date.

Deferred tax assets and liabilities are offset if there is a legal entitlement to offset the current tax receivables against the current tax liabilities and if the deferred tax assets and liabilities relate to income taxes that are collected by the same tax authority and it is intended to arrange the settlement on a net basis.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of the Target Group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Events after the Relevant Periods

Events after the end of the Relevant Periods are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue (reference period). A distinction is drawn between two types of events here:

a) Events that provide substantial evidence of conditions that already existed at the end of the Relevant Periods (adjusting events after the reporting date); and

b) Events that are indicative of a condition that arose after the end of the Relevant Periods (non-adjusting events).

Adjusting events after the reporting date require an entity to adjust the amounts recognised in its financial statements or to recognise items that were not previously recognised.

The amounts recognised in the financial statements may not be adjusted to reflect non-adjusting events after the reporting date.

The following information has to be disclosed for each material category of non-adjusting event after the reporting date:

a) the nature of the event; and

b) an estimate of the financial effect or a statement that such an estimate cannot be made.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES

In addition to the recognition and measurement methods, the presentation of the financial position, cash flows and results of operations in the consolidated financial statements also depends on assumptions and estimates. The amounts that are actually produced can deviate from the estimates.

The key estimates and assumptions that relate to the future are discussed below.

(i) Provision for obsolete and slow-moving inventories

The provision for obsolete and slow-moving inventories is based on the ageing and the estimated net realisable value of the inventories. The measurement of the amount of the loss allowance involves a judgement and an estimate. If the actual result in the future differs from the original estimate, this difference will influence the carrying amount of the inventories and the provision expenses or reversal of provision in the period in which an estimate of this kind is changed.

(ii) Non-current deferred tax assets

Deferred tax assets on tax loss carryforwards are assessed by applying tax forecasts based on business plans drawn up by the consolidated entities. If it is not expected that an existing loss carryforward based on these forward-looking statements can be used up within a reasonable timeframe, corresponding deferred tax assets are de-recognised.

(iii) Impairments for bad or doubtful debts/expected credit losses

Impairments based on the assessment of the recoverability of the trade receivables, including the current credit rating and the payment behaviour of each debtor, are carried out for bad or doubtful debts. The impairment arises from events or changes in the circumstances that indicate a part or whole of the amounts cannot be collected. It is necessary to apply judgements and estimates in order to identify bad and doubtful debts. If the actual result differs from the original estimate, this difference will influence the carrying amount of the trade receivables and the allowance for doubtful debts in the period in which an estimate of this kind is changed.

Subsequent to the adoption of HKFRS 9, credit losses are measured as the present value of all expected cash shortfalls. In measuring expected credit losses, the Target Group takes into account reasonable and supportable information that is available without undue cost or effort. Expected credit losses are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition.

(iv) Pension liabilities

The present value of the pension liabilities depends on a large number of factors that are based on actuarial assumptions. The assumptions used to calculate the expenses (or income) for pensions include the discount rate. Every change to these assumptions will have an impact on the carrying amount of the pension liabilities.

When determining the discount rate for calculating the present value of the expected future cash outflow to settle the obligations, the basis is provided by the interest rate of corporate bonds with the highest credit rating that are denominated in the currency in which the benefits will also be paid and the terms of which correspond to those of the pension obligations. Some of the other key assumptions for the pension liabilities are based on market circumstances.

(v) Other provisions

The amount that is recognised for warranty provisions corresponds to the best possible cost estimate derived from the experience from past periods.

(vi) Income taxes

The Target Group is required to pay income taxes in several countries. Significant assumptions are therefore necessary in order to determine the provision for income taxes. There are many business transactions and calculations in which the final taxation cannot be conclusively determined. If the final tax on these business transactions deviate from what was initially assumed, this will have an impact on the actual and deferred taxes in the period in which the taxation is finalised.

(vii) Revenue recognition

In accordance with HKFRS 15, revenue is recognised when a customer obtains control of goods or services. Judgements are required to determine whether control is transferred at a point in time or over time.

6. FINANCIAL RISK MANAGEMENT

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

The carrying amounts of the Target Group's monetary assets and monetary liabilities denominated in United States dollars ("USD") at 31 December 2016, 2017 and 2018 and 30 June 2019 are as follows:

	As at 31 December			**As at 30 June**
	2016	**2017**	**2018**	**2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Trade receivables	466	2	127	–
Cash and cash equivalents	196	41	16	99
Trade payables	(147)	(43)	(86)	(205)
	515	–	57	(106)

The current exchange rate hedging strategy in respect of transactions, receivables and payables in foreign currencies aims to conduct natural hedging and to reduce the transactions in foreign currencies to a minimum. The foreign currency risks are monitored on a regular basis and the hedging of significant foreign currency risks is considered as soon as the need for that arises.

A strengthening/(weakening) of the Euros as of 31 December 2016, 2017 and 2018 and 30 June 2019 would have influenced the valuation of the financial instruments denominated in a foreign currency and influenced the profit before tax by the amounts presented below. It is assumed in the analysis that all other influencing factors, primarily interest rates, remain constant. The influences of the forecast sales and acquisition transactions are disregarded.

The sensitivity analysis includes only outstanding monetary items denominated in USD, including non-derivative financial instruments and excluding the impact from cash and cash equivalents, at the end of the Relevant Periods and adjusts their translation as of the end of the Relevant Periods in accordance with a change in the exchange rate by 5%.

	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained earnings**	**Increase/ (decrease) in other components of equity**
		EUR'000	*EUR'000*
As at 31 December 2016	5%	7	7
	(5)%	(7)	(7)
As at 31 December 2017	5%	(3)	(3)
	(5)%	3	3
As at 31 December 2018	5%	3	3
	(5)%	(3)	(3)
As at 30 June 2019	5%	(17)	(17)
	(5)%	17	17

(b) Credit risk

The Target Group's credit risk results primarily from trade receivables, deposits and other receivables, bank balances and cash in hand and pledged bank balances. The maximum credit risk in the event that business partners do not fulfil their obligations by the reporting date, in terms of each class of the financial assets that are recognised, is the carrying amount of these assets that is reported in the consolidated financial statements. In order to minimise the credit risk, terms and conditions of payment that are granted to customers have to be approved by competent managers, while measures to collect receivables that are due are taken. Furthermore, the recoverable value of each individual trade receivable is reviewed at the end of each of the Relevant Periods in order to ensure that adequate loss allowances for uncollectible amounts are recognised. In this regard, the management focuses on ensuring that the credit risk is significantly reduced.

The credit risk related to bank balances and cash in hand is limited because the business partners are banks with a high credit rating, certified by international rating agencies.

There are no significant concentrations of the credit risk on trade receivables in the domestic business. Furthermore, customers in Germany are almost exclusively local authorities, public institutions and government authorities, where the credit risk is minimal.

The international business frequently involves major orders from individual customers. To minimise the credit risk, trade receivables are predominantly secured using letters of credit.

(c) Liquidity risk

The current and expected liquidity requirements are regularly monitored using cash flow planning and short-term liquidity plans in order to ensure that sufficient liquid funds are available to guarantee liquidity in the short and long term.

The overview below presents the contractually agreed maturities of obligations on the reporting date based on contractually agreed undiscounted cash flows (including interest payments, calculated using contractual rates or, if variable, based on interest rates valid on the reporting date) and the earliest time at which the payment obligation can be incurred.

	Contractual undiscounted cash flow					
	Within 1 year or on demand	**1 to 2 years**	**Over 2 to 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
At 31 December 2016						
Trade and other payables	21,676	43	–	–	21,719	21,719
Finance lease liabilities/ lease liabilities	54	53	5	–	112	109
Bank loans	59,116	–	–	–	59,116	58,496
Liabilities due to affiliated companies	550	–	–	–	550	550
	81,396	96	5	–	81,497	80,874
At 31 December 2017						
Trade and other payables	23,663	30	–	–	23,693	23,693
Finance lease liabilities/ lease liabilities	52	6	–	–	58	56
Bank loans	74,041	–	–	–	74,041	72,785
	97,756	36	–	–	97,792	96,534
At 31 December 2018						
Trade and other payables	29,297	31	–	–	29,328	29,328
Finance lease liabilities/ lease liabilities	10	10	32	–	52	43
Bank loans	70,577	20,107	–	–	90,684	89,089
Liabilities due to affiliated companies	514	–	–	–	514	514
	100,398	20,148	32	–	120,578	118,974
At 30 June 2019						
Trade and other payables	31,845	34	–	–	31,879	31,879
Finance lease liabilities/ lease liabilities	1,177	924	1,760	4,681	8,542	7,124
Bank loans	100,913	–	–	–	100,913	99,276
Liabilities due to affiliated companies	133	–	–	–	133	133
	134,068	958	1,760	4,681	141,467	138,412

(d) Interest rate risk

Interest is charged on finance lease liabilities/lease liabilities, bank loans and liabilities due to affiliated companies at fixed interest rates, and they are accordingly subject to market interest rate risks.

The cash flow risk in relation to the interest rate essentially concerns variable interest bank loans. The interest rate risk is monitored every quarter and the hedging of a significant interest rate risk is considered if the need should arise.

The following table details the interest rate profile of the Target Group's borrowings at the end of each of the Relevant Periods.

	As at 31 December			
	2016		2017	
	Effective interest rate		**Effective interest rate**	
	%	*EUR'000*	*%*	*EUR'000*
Fixed rate borrowings:				
Finance lease liabilities/ lease liabilities *(note)*	2.9	109	3.0	56
Bank loans	1.4	10,000	1.4	46,600
Liabilities due from affiliated companies	–	–	–	–
		10,109		46,656
Variable rate borrowings:				
Bank loans	1.0	48,496	2.3	26,185
Total borrowings		58,605		72,841
Fixed rate borrowings as a percentage of total borrowings		17.2		64.1

	As at 31 December 2018		As at 30 June 2019 *(note)*	
	Effective interest rate		Effective interest rate	
	%	*EUR'000*	%	*EUR'000*
Fixed rate borrowings:				
Finance lease liabilities/ lease liabilities *(note)*	4.7	43	4.0	7,124
Bank loans	1.4	20,339	1.5	75,409
Liabilities due from affiliated companies	5.4	381	–	–
		20,763		82,533
Variable rate borrowings:				
Bank loans	2.3	68,750	2.0	23,867
Total borrowings		89,513		106,400
Fixed rate borrowings as a percentage of total borrowings		23.2		77.6

Note: The Target Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See Note 2.

The sensitivity of the Target Group in relation to the interest rate risk was determined on the basis of interest rate risks for variable interest bank loans at the end of each of the Relevant Periods and a change that is possible at the beginning of each period with no further changes during the Relevant Periods.

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
Change in the interest rate	50 basis points	50 basis points	50 basis points	50 basis points
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Change in profit/(loss) for the year/period				
– as a result of increase in interest rate	(242)	(130)	(343)	(118)
– as a result of decrease in interest rate	242	130	343	118

(e) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Target Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019.

(f) Capital management

The aims in terms of the capital management lie in ensuring that the Target Group remains a going concern in order to continue to provide the shareholders with earnings and the other stakeholders with the services they are entitled to. A further goal is the maintenance of an optimal capital structure in order to reduce the capital costs.

The distribution of profits to the shareholders can be adjusted, capital repayments can be made to shareholders or new shares can be issued to reduce the liabilities as ways to maintain or change the capital structure.

As is usual in the industry, the Target Group monitors the capitalisation on the basis of the debt-to-equity ratio. This is calculated from the ratio of net debt to total capital. The net debt comprises bank loans, finance lease liabilities/ lease liabilities (including current and non-current financial liabilities) and other interest-bearing borrowings in accordance with the presentation in the consolidated statement of financial position, less the cash and cash equivalents. The total capital is calculated from the equity according to the consolidated statement of financial position plus net debt.

A debt-to-capital ratio of between 30% and 60% is striven for in the Target Group. Considering the impact of the application of HKFRS 16, the Target Group reassessed the range to this. Before, the striven range was between 30% and 55%. The debt-to-capital ratio is calculated as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Current liabilities:				
Bank loans	58,496	72,785	69,289	99,276
Finance lease liabilities/ lease liabilities	52	51	9	889
	58,548	72,836	69,298	100,165
Non-current liabilities:				
Bank loans	–	–	19,800	–
Finance lease liabilities/ lease liabilities	57	5	34	6,235
Other interest-bearing borrowings	–	–	381	–
	57	5	20,215	6,235
Total debt	58,605	72,841	89,513	106,400
Less: cash and cash equivalents	(11,825)	(13,549)	(11,321)	(3,632)
Net debt	46,780	59,292	78,192	102,768
Total equity	63,147	68,784	71,072	67,608
Total capital	109,927	128,076	149,264	170,376
Debt-to-capital ratio	43%	46%	52%	60%

7. REVENUE

The revenue corresponds to the sum of the proceeds from the sale of products and goods and the performance of services during the Relevant Periods less sales allowances. In principle, all services and products that are generated by a company in the European Union ("EU"), China and Indonesia are subject to value added tax, which is collected for third parties.

The revenue less sales allowances, returns and value added tax can be broken down by sector and region as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
			(Note)	*(Note)*	*(Note)*
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Revenue by sector					
Machinery and vehicle construction	153,076	171,535	142,627	71,126	72,270
Equipment	39,856	31,715	30,117	14,903	15,892
Spare parts	9,790	7,671	8,203	2,870	5,018
Maintenance	3,411	7,610	8,476	4,687	4,822
Fire hoses	2,734	2,459	1,563	1,150	641
Others	11,093	11,893	11,567	8,835	3,106
Total	219,960	232,883	202,553	103,571	101,749

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Revenue by region					
Germany	134,533	106,298	94,295	45,172	47,417
Other EU countries	51,673	83,726	69,138	42,719	16,608
Other foreign countries	33,754	42,859	39,120	15,680	37,724
	219,960	232,883	202,553	103,571	101,749

The Target Group principally operates in one business segment, which is the manufacture and sales of fire trucks and firefighting components. The Target Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Target Group's revenues. The Target Group recognised revenue at point in time upon adoption of HKFRS 15 from 1 January 2018.

The Target Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the information about the revenue that the Target Group will be entitled to when it satisfies the remaining performances obligation under the contracts that had an original expected duration of one year or less were not disclosed.

Note: within the scope of HKFRS 15 which was adopted by the Target Group on 1 January 2018.

8. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Compensation and indemnities	76	50	1,460	50	312
Revenue from the sale of scrap	95	92	78	57	46
Subsidies	68	89	108	11	77
Revenue from canteens	82	85	82	42	47
Interest income	6	64	27	44	22
Other income	809	1,163	745	319	609
	1,136	1,543	2,500	523	1,113

9. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Loss allowances on receivables	(34)	(2,232)	(42)	–	(2,630)
Reversal of loss allowance	107	31	574	10	42
Reversal of provisions	765	597	2,703	161	693
Net foreign exchange gains/(losses)	114	(748)	(104)	119	155
	952	(2,352)	3,131	290	(1,740)

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Interest and similar expenses					
– Interest on bank loans	1,008	1,039	1,266	599	614
– Interest on liabilities due to affiliated companies	565	–	14	9	5
– Interest on finance lease liabilities/ lease liabilities	4	2	4	1	141
– Commission for bank guarantees	58	104	94	60	72
– Other finance costs	7	94	87	14	59
	1,642	1,239	1,465	683	891

11. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) for the Relevant Periods is arrived after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
(a) Staff costs					
Contributions to defined contribution retirement plan	9,327	10,093	10,523	4,818	5,819
Expenses recognised in respect of defined benefit retirement plans *(Note 26)*	279	311	261	107	107
Salaries, wages and other benefits	44,716	46,558	47,240	24,759	25,769
	54,322	56,962	58,024	29,684	31,695
(b) Other items					
Amortisation expenses of intangible assets *(Note 18)*	728	1,558	1,233	666	574
Depreciation change					
– Owned property, plant and equipment *(Note 16)*	2,225	2,639	2,802	1,379	1,418
– Right-of-use assets *(Note 17)*	–	–	–	–	470
Auditors' remuneration					
– Audit services	110	280	286	106	121
– Non-audit services	28	4	4	–	36
Expense relating to leases of low-value assets	–	–	–	–	80
Expenses relating to short-term leases	–	–	–	–	69
Total minimum lease payments of lease previously classified as operating leases under HKAS 17	1,152	1,142	1,225	603	–
Increase in provisions *(Note 28)*	2,614	5,717	2,465	1,677	1,439
Cost of inventories	139,909	139,178	120,164	57,350	60,045

12. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Current income taxes					
– Current tax on profit for the year/period	(861)	(1,392)	(756)	(1,264)	(27)
– Over-/(under)-provision in prior years/ periods	22	20	69	(1)	213
Deferred income taxes	(79)	(472)	(499)	(980)	1,367
	(918)	(1,844)	(1,186)	(2,245)	1,553

The applicable tax rate to the Target Company is 28.78% for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between income tax (expense)/credit and accounting profit/(loss) at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Profit/(loss) before taxation	3,758	7,899	3,469	5,994	(4,743)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned	(952)	(2,291)	(865)	(1,687)	1,405
Tax effect of non-taxable income	115	2	6	–	3
Tax effect of non-deductible expenses	(64)	(2)	(25)	–	(6)
Tax effects of utilisation of tax loss previously not recognised	143	716	–	–	–
Tax effects of unused tax loss not recognised	–	–	(470)	(447)	–
Tax effects of different tax rates on subsidiaries	(70)	(144)	(5)	(14)	(94)
Over-/(under)-provision in prior years/periods	22	20	69	(1)	213
Others	(112)	(145)	104	(96)	32
	(918)	(1,844)	(1,186)	(2,245)	1,553

13. DIRECTOR'S EMOLUMENTS

There was a sole director, Mr. Luan, for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

	Director's fee	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
For the year ended 31 December 2016	–	140	–	–	140
For the year ended 31 December 2017	–	142	65	–	207
For the year ended 31 December 2018	–	122	43	–	165
For the six months ended 30 June 2018 (unaudited)	–	61	43	–	104
For the six months ended 30 June 2019	–	61	–	–	61

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is director for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 whose emoluments are disclosed in Note 13. The aggregate of the emoluments in respect of the other four individuals for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(unaudited)	
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Salaries and other emoluments	733	829	836	475	339
Discretionary bonuses	–	–	–	–	–
Retirement scheme contributions	–	–	–	–	–
	733	829	836	475	339

The emoluments of the four individuals with the highest emoluments for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 are within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(unaudited)	
HKD500,000 (EUR51,051) to HKD1,000,000 (EUR102,102)	–	–	–	1	3
HKD1,000,001 (EUR102,103) to HKD1,500,000 (EUR153,153)	2	–	–	2	1
HKD1,500,001 (EUR153,154) to HKD2,000,000 (EUR204,205)	1	3	3	1	–
HKD2,500,001 (EUR255,257) to HKD3,000,000 (EUR306,307)	1	1	1	–	–
	4	4	4	4	4

15. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	For the year ended 31 December 2016		
	Before-tax amount	**Tax credit**	**Net-of-tax amount**
	EUR'000	*EUR'000*	*EUR'000*
Remeasurement of net defined benefit liability	(110)	30	(80)
Remeasurement of other employment benefit	40	(11)	29
Exchange differences on translation of financial statements of overseas subsidiaries	106	–	106
Other comprehensive income	36	19	55

	For the year ended 31 December 2017		
	Before-tax amount	**Tax credit**	**Net-of-tax amount**
	EUR'000	*EUR'000*	*EUR'000*
Remeasurement of net defined benefit liability	49	(13)	36
Remeasurement of other employment benefit	(111)	32	(79)
Exchange differences on translation of financial statements of overseas subsidiaries	(338)	–	(338)
Other comprehensive income	(400)	19	(381)

	For the year ended 31 December 2018		
	Before-tax amount	**Tax credit**	**Net-of-tax amount**
	EUR'000	*EUR'000*	*EUR'000*
Remeasurement of net defined benefit liability	94	(15)	79
Remeasurement of other employment benefit	(88)	17	(71)
Exchange differences on translation of financial statements of overseas subsidiaries	(3)	–	(3)
Other comprehensive income	3	2	5

	For the six months 30 June 2018 (unaudited)		
	Before-tax amount	**Tax credit**	**Net-of-tax amount**
	(unaudited)	(unaudited)	(unaudited)
	EUR'000	*EUR'000*	*EUR'000*
Remeasurement of net defined benefit liability	26	(7)	19
Remeasurement of other employment benefit	(44)	12	(32)
Exchange differences on translation of financial statements of overseas subsidiaries	61	–	61
Other comprehensive income	43	5	48

	For the six months 30 June 2019		
	Before-tax amount	**Tax benefit**	**Net-of-tax amount**
	EUR'000	*EUR'000*	*EUR'000*
Remeasurement of net defined benefit liability	(454)	131	(323)
Remeasurement of other employment benefit	(73)	21	(52)
Exchange differences on translation of financial statements of overseas subsidiaries	101	–	101
Other comprehensive income	(426)	152	(274)

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Technical plant and equipment	Other plant, operating and office equipment	Assets under construction	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Cost:					
At 1 January 2016	23,187	4,702	7,310	14	35,213
Additions	279	530	1,470	711	2,990
Disposals	(171)	(225)	(282)	–	(678)
Reclassification	–	13	(13)	–	–
Exchange adjustments	116	16	26	–	158
At 31 December 2016 and 1 January 2017	23,411	5,036	8,511	725	37,683
Additions	570	378	1,482	123	2,553
Disposals	(221)	(100)	(409)	(4)	(734)
Reclassification	261	459	47	(767)	–
Exchange adjustments	(217)	(27)	(53)	–	(297)
At 31 December 2017 and 1 January 2018	23,804	5,746	9,578	77	39,205
Additions	2,648	1,399	1,169	558	5,774
Disposals	(65)	(82)	(224)	(30)	(401)
Reclassification	(326)	415	(69)	(29)	(9)
Exchange adjustments	(47)	2	(4)	–	(49)
At 31 December 2018	26,014	7,480	10,450	576	44,520
Impact of initial application of HKFRS 16	–	(154)	–	–	(154)
At 1 January 2019	26,014	7,326	10,450	576	44,366
Additions	675	198	434	100	1,407
Disposals	–	(312)	(32)	–	(344)
Reclassification	500	65	–	(565)	–
Exchange adjustments	59	15	15	–	89
At 30 June 2019	27,248	7,292	10,867	111	45,518
Accumulated depreciation:					
At 1 January 2016	5,751	2,964	3,854	–	12,569
Charge for the year	698	504	1,023	–	2,225
Written-back on disposals	(18)	(103)	(249)	–	(370)
Reclassification	–	11	(12)	–	(1)
Exchange adjustments	11	12	21	–	44
At 31 December 2016 and 1 January 2017	6,442	3,388	4,637	–	14,467
Charge for the year	744	579	1,316	–	2,639
Written-back on disposals	(30)	(95)	(300)	–	(425)
Reclassification	–	(1)	1	–	–
Exchange adjustments	(27)	(21)	(42)	–	(90)

	Land and buildings	Technical plant and equipment	Other plant, operating and office equipment	Assets under construction	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
At 31 December 2017 and 1 January 2018	7,129	3,850	5,612	–	16,591
Charge for the year	796	694	1,312	–	2,802
Written-back on disposals	–	–	(224)	–	(224)
Reclassification	(83)	172	(97)	–	(8)
Exchange adjustments	(5)	1	(2)	–	(6)
At 31 December 2018	7,837	4,717	6,601	–	19,155
Impact of initial application of HKFRS 16	–	(112)	–	–	(112)
At 1 January 2019	7,837	4,605	6,601	–	19,043
Charge for the period	435	389	594	–	1,418
Written-back on disposals	–	(312)	(28)	–	(340)
Exchange adjustments	7	9	12	–	28
At 30 June 2019	8,279	4,691	7,179	–	20,149
Net book value:					
At 31 December 2016	16,969	1,648	3,874	725	23,216
At 31 December 2017	16,675	1,896	3,966	77	22,614
At 31 December 2018	18,177	2,763	3,849	576	25,365
At 30 June 2019	18,969	2,601	3,688	111	25,369

The properties are located in Europe and Asia. Lands held by the Target Group are freehold.

The depreciation expenses are taken into account as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Cost of sales	1,301	1,607	1,640	834	1,149
Selling and distribution expenses	122	129	162	68	98
General and administrative expenses	750	903	1,000	477	171
Other expenses	52	–	–	–	–
	2,225	2,639	2,802	1,379	1,418

17. RIGHT-OF-USE ASSETS AND FINANCE LEASE LIABILITIES/LEASE LIABILITIES – CHANGE IN ACCOUNTING POLICIES FOR THE ADOPTION OF HKFRS 16 "LEASES"

The Target Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.

Movement of the right-of-use assets are as follows:

	Right-of-use assets
	EUR'000
Cost:	
At 31 December 2018	–
Impact on initial application of HKFRS 16	7,470
At 1 January 2019	7,470
Additions	180
At 30 June 2019	7,650
Accumulated depreciation:	
At 31 December 2018	–
Impact of initial application of HKFRS 16	112
At 1 January 2019	112
Charge for the year	470
At 30 June 2019	582
Net book value:	
At 30 June 2019	7,068

The analysis of net book value of right-of-use assets is as follows:

	As at 1 January 2019	**As at 30 June 2019**
	EUR'000	*EUR'000*
Other properties leased for own use, carried at depreciated cost	7,316	6,863
Technical plant and equipment	42	205
Total	7,358	7,068

The analysis of depreciation charge is as follows:

	Year ended 31 December 2018	**Six months ended 30 June 2019**
	EUR'000	*EUR'000*
Other properties leased for own use, carried at depreciated cost	–	453
Technical plant and equipment	88	17
	88	470

The overview below presents the reconciliation between the sum of the future minimum lease payments at the end of the Relevant Periods and the present values of the finance lease liabilities/lease liabilities:

	As at 31 December						As at 30 June	
	2016		2017		2018		2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Within 1 year	52	54	51	53	9	10	889	1,177
After 1 year but within 2 years	52	53	5	6	8	10	662	924
After 2 years but within 5 years	5	5	–	–	26	32	1,065	1,760
After 5 years	–	–	–	–	–	–	4,508	4,681
	57	58	5	6	34	42	6,235	7,365
	109	112	56	59	43	52	7,124	8,542
Less: total future interest expenses		(3)		(3)		(9)		(1,418)
Present value of finance lease liabilities/ lease liabilities		109		56		43		7,124

18. INTANGIBLE ASSETS

	Brand *EUR'000*	Technology *EUR'000*	Order backlogs *EUR'000*	Software *EUR'000*	Capitalised development costs *EUR'000*	Advance payments *EUR'000*	Total *EUR'000*
Cost:							
At 1 January 2016	6,062	1,844	108	880	1,371	–	10,265
Additions	–	–	–	233	1,536	816	2,585
Disposals	–	–	–	(2)	(357)	–	(359)
At 31 December 2016 and 1 January 2017	6,062	1,844	108	1,111	2,550	816	12,491
Additions	–	10	–	48	761	1,164	1,983
Disposals	–	–	–	(11)	–	–	(11)
Exchange adjustments	–	–	–	(4)	–	–	(4)
At 31 December 2017 and 1 January 2018	6,062	1,854	108	1,144	3,311	1,980	14,459
Additions	–	–	–	1,652	880	–	2,532
Disposals	–	–	–	(57)	(44)	(2)	(103)
Reclassification	–	1	–	2,017	(31)	(1,978)	9
Exchange adjustments	–	–	–	1	–	–	1
At 31 December 2018 and 1 January 2019	6,062	1,855	108	4,757	4,116	–	16,898
Additions	–	–	–	297	1,280	–	1,577
Reclassification	–	7	–	(7)	–	–	–
Exchange adjustments	–	–	–	1	–	–	1
At 30 June 2019	6,062	1,862	108	5,048	5,396	–	18,476
Accumulated amortisation:							
At 1 January 2016	–	641	108	421	239	–	1,409
Charge for the year	–	307	–	205	216	–	728
Written-back on disposals	–	–	–	(2)	–	–	(2)
At 31 December 2016 and 1 January 2017	–	948	108	624	455	–	2,135
Charge for the year	–	307	–	229	1,022	–	1,558
Written-back on disposals	–	–	–	(11)	–	–	(11)
At 31 December 2017 and 1 January 2018	–	1,255	108	842	1,477	–	3,682
Charge for the year	–	311	–	337	585	–	1,233
Written-back on disposals	–	–	–	(57)	–	–	(57)
Reclassification	–	4	–	4	–	–	8
Exchange adjustments	–	–	–	1	–	–	1
At 31 December 2018 and 1 January 2019	–	1,570	108	1,127	2,062	–	4,867
Charge for the period	–	158	–	253	163	–	574
At 30 June 2019	–	1,728	108	1,380	2,225	–	5,441
Net book value:							
At 31 December 2016	6,062	896	–	487	2,095	816	10,356
At 31 December 2017	6,062	599	–	302	1,834	1,980	10,777
At 31 December 2018	6,062	285	–	3,630	2,054	–	12,031
At 30 June 2019	6,062	134	–	3,668	3,171	–	13,035

The amortisation expenses are taken into account as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Cost of sales	381	801	834	361	325
Selling and distribution expenses	11	16	16	7	5
General and administrative expenses	334	741	383	298	244
Other expenses	2	–	–	–	–
	728	1,558	1,233	666	574

The existing brand is not systematically amortised, but subjected to an impairment test each year and also when there are signs of impairment. When determining the indefinite useful life, the management took a variety of factors into account, such as the past and expected durability of the brand. The impairment of the brand is reviewed on a regular basis. Based on these factors, there are no restrictions as of the 2019 financial year in terms of the period over which the brand is expected to generate cash flows.

In order to determine the intrinsic value of the brand, the carrying amount of EUR 6,062,000 was compared with the recoverable amount. To this end, the Target Group determined the value in use, which is based on the most up-to-date planning by the management. The planning is based on the expectations regarding the net revenue of the German operating companies for the respective Relevant Periods and plausible assumptions on the future performance in the following years. The estimates of the annual growth rates are 0.4% to 11.5%, 2% to 10%, 2% to 18% and 2% to 18% for the first three years of the projection periods as at 31 December 2016, 2017, 2018 and 30 June 2019 respectively and the perpetual growth rate afterwards of 2% was adopted for all financial periods. Cost of capital (pre-tax) of 7.6%, 5.29%, 5.20% and 5.20% as at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively was used to determine the value in use. The determination of the cost of capital rate is based on an interest rate for risk-free assets. Furthermore, specific peer group information for beta functions and the debt-to-equity ratio were taken into account in addition to the market risk premium and the borrowing rate.

19. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Target Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation	Issued/paid up capital as at 31 December 2016, 2017 and 2018 and 30 June 2019	Group's effective interest as at 31 December 2016, 2017 and 2018 and 30 June 2019	Proportion of ownership interest		Principal activity
				Held by the Target Company	Held by the subsidiary	
		EUR'000				
Albert Ziegler Feuerschutz GmbH	Germany	77	100%	100%	–	Manufacturing and sales of fire vehicles
Ziegler Feuerwehrgerätetechnik GmbH & Co. KG	Germany	950	100%	100%	–	Manufacturing and sales of fire vehicles
Ziegler Verwaltungsgesellschaft mbH	Germany	30	100%	100%	–	Management Company
Ziegler Auslandsholding GmbH	Germany	30	100%	100%	–	Management Company
Ziegler GmbH	Germany	25	100%	100%	–	Management Company
Ziegler Safety GmbH & Co. KG	Germany	1,000	100%	100%	–	Trading of fire vehicles and freighting equipment
Ziegler Brandweertechniek B.V	The Netherlands	465	100%	100%	–	Manufacturing and sales of fire vehicles
Visser B.V	The Netherlands	18	95%	–	95%	Manufacturing and sales of fire vehicles
Signalis B.V	The Netherlands	18	100%	–	100%	Management Company
Ziegler Dutch Holding B.V	The Netherlands	10	100%	–	100%	Management Company

Company name	Place of incorporation	Issued/paid up capital as at 31 December 2016, 2017 and 2018 and 30 June 2019 *EUR'000*	Group's effective interest as at 31 December 2016, 2017 and 2018 and 30 June 2019	Proportion of ownership interest Held by the Target Company	Proportion of ownership interest Held by the subsidiary	Principal activity
Ziegler d.o.o	Croatia	1,558	100%	100%	–	Manufacturing and sales of fire vehicles
P. T. Ziegler Indonesia	Indonesia	1,238	92%	92%	–	Manufacturing and sales of fire vehicles
Ziegler Italiana S.r.l	Italy	10	100%	100%	–	Manufacturing and sales of fire vehicles
Ziegler Hasicska Technika s.r.o.	The Czech Republic	78	100%	100%	–	Trading of fire vehicles and freighting equipment
Albert Ziegler GmbH (Beijing) Sales Co.	China	1,388	100%	100%	–	Wholesale and after-sales services of fire vehicles
Ziegler S Gasilska tehnika d.o.o.	Slovenia	Note (i)	Note (i)	Note (i)	–	Manufacturing and sales of fire vehicles

Notes:

(i) Ziegler S Gasilska tehnika d.o.o. which was a wholly-owned subsidiary of the Target Group was liquidated on 16 May 2018. A net gain on disposal of EUR 30,000 was recognised during the year ended 31 December 2018.

(ii) The Target Group had no subsidiary that had material non-controlling interests to the Target Group as at 31 December 2016, 2017 and 2018 and 30 June 2019.

20. INTEREST IN AN ASSOCIATE

Name of associate	Place of incorporation	Issued/paid up capital as at 31 December 2016, 2017 and 2018 and 30 June 2019	Group's effective interest as at 31 December 2016, 2017 and 2018 and 30 June 2019	Principal activities
CELA S.R.L.	Italy	13.543	25%	Manufacturing and sales of hydraulic rescue platforms

The associate is accounted for using the equity method in the consolidated financial statements.

The table below shows the summary financial information for the associate:

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Gross amounts of the associate				
Current assets	–	8,486	9,673	10,268
Non-current assets	–	3,463	3,581	3,262
Current liabilities	–	9,599	9,589	9,751
Non-current liabilities	–	21	26	48
Equity	–	2,329	3,639	3,731
Revenue	–	16,972	19,231	8,293
Profit for the year/period	–	162	1,312	92
Total comprehensive income for the year/period	–	162	1,312	92
Reconciled to the Target Group's interest in an associate				
Gross amounts of net assets of the associate	–	2,329	3,639	3,731
Target Group's effective interest *(Note)*	–	25%	25%	25%
Target Group's share of net assets of the associate	–	582	910	933
Goodwill	–	1,858	1,858	1,858
Carrying amount in the consolidated financial statements	–	2,440	2,768	2,791

Note: The associate was acquired at an investment cost of EUR2,400,000 during the year ended 31 December 2017.

21. INVENTORIES

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Raw materials	37,323	44,703	50,259	59,129
Work in progress	21,540	28,858	21,952	30,604
Finished goods	14,396	11,989	25,457	23,256
	73,259	85,550	97,668	112,989

The inventories are measured at the lower of cost and net realisable value. The impairment resulting from the measurement of inventories on the basis of sales markets amounted to EUR4,677,000, EUR4,366,000, EUR4,105,000 and EUR3,657,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively.

The development of the impairment on inventories can be presented as follows:

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
At the beginning of the financial year/period	5,331	4,677	4,366	4,105
Write down of inventories	403	354	446	278
Reversal of write-down of inventories	(1,057)	(665)	(707)	(726)
At the end of the financial year/period	4,677	4,366	4,105	3,657

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to EUR140,563,000, EUR139,489,000, EUR120,425,000, EUR57,343,000 (unaudited) and EUR60,493,000 for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 respectively. The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain products as a result of a change in consumer preferences.

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Trade receivables	36,826	40,823	49,232	54,135
Less: allowance for bad and doubtful debts/loss allowance	(639)	(2,835)	(2,303)	(4,891)
Trade receivables, net	36,187	37,988	46,929	49,244
Prepayments	364	341	913	1,197
Other receivables	6,507	7,227	8,583	8,501
	6,871	7,568	9,496	9,698
	43,058	45,556	56,425	58,942

Trade receivables

The credit period granted to customers ranges from 30 days to 120 days. Before accepting any new customer, the Target Group will assess the credit quality of the potential customer and define appropriate credit limits.

As of the end of the Relevant Periods, the aging analysis of trade receivables, based on the invoice date and net of allowance for bad and doubtful debts/loss allowance, is as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
0 - 90 days	24,291	29,808	31,268	20,303
91 - 180 days	1,600	4,127	2,893	17,857
181 - 360 days	2,237	570	5,873	8,066
Over 360 days	8,059	3,483	6,895	3,018
	36,187	37,988	46,929	49,244

As of 31 December 2016, 2017 and 2018 and 30 June 2019, the Target Group had trade receivables at the amount of EUR18,023,000, EUR12,276,000, EUR9,088,000 and EUR7,733,000 that were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Less than 90 days	7,867	9,031	4,417	4,552
91 - 180 days	1,203	1,773	1,471	502
181 - 360 days	1,479	423	953	548
Over 360 days	7,474	1,049	2,247	2,131
	18,023	12,276	9,088	7,733

The development of the allowance for bad and doubtful debts/loss allowance is as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
At the beginning of the financial year/period	782	639	2,835	2,303
Allowance for bad and doubtful debts/loss allowances of the year/period	34	2,232	42	2,630
Amounts written down	(70)	(5)	–	–
Amounts reversed	(107)	(31)	(574)	(42)
At the end of the financial year/period	639	2,835	2,303	4,891

Management monitors the credit quality of the receivables and considers the receivables that are not due nor impaired, to be recoverable. Based on the payment behaviour of the customers, the receivables that were already due and not impaired can be regarded as recoverable, as no significant change in the credit rating of these customers has been recorded. Loss allowances are created for receivables from customers that have become insolvent or find themselves in significant financial difficulties. There is no collateral for the impaired balances.

The carrying amount of the receivables represents the maximum credit risk on the reporting date.

23. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits comprise:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Pledged bank balances	408	722	819	986

(b) Cash and cash equivalents comprise:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Deposits with banks	100	100	100	100
Cash at bank and on hand	11,725	13,449	11,221	3,532
	11,825	13,549	11,321	3,632

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated cash flow statement as cash flows from financing activities.

	Loans and borrowings from banks	Liabilities due to affiliated companies	Finance lease liabilities/ lease liabilities	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
At 1 January 2017	58,496	–	109	58,605
Proceeds from new bank loans	122,200	–	–	122,200
Repayment of bank loans	(107,900)	–	–	(107,900)
Capital element of lease rentals paid	–	–	(53)	(53)
Interest element of lease rentals paid	–	–	(2)	(2)
Other borrowing costs paid	(1,050)	–	–	(1,050)
– Total changes from financing cash flow	13,250	–	(55)	13,195
Other changes				
Interest expenses	1,039	–	2	1,041
Other changes	1,039	–	2	1,041
At 31 December 2017	72,785	–	56	72,841

	Loans and borrowings from banks	Liabilities due to affiliated companies	Finance lease liabilities/ lease liabilities	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
At 1 January 2018	72,785	–	56	72,841
Proceeds from new bank loans	5,500	–	–	5,500
Repayment of bank loans	(3,000)	–	–	(3,000)
Proceeds from new loans from affiliated companies	–	776	–	776
Capital element of lease rentals paid	–	–	(24)	(24)
Interest element of lease rentals paid	–	–	(1)	(1)
Other borrowing costs paid	(383)	(9)	–	(392)
– Total changes from financing cash flow	2,117	767	(25)	2,859
Other changes				
Increase in finance lease liabilities/ lease liabilities from entering into new leases during the period	–	–	49	49
Interest expenses	599	9	1	609
Exchange difference	–	–	2	2
Other changes	599	9	52	660
At 30 June 2018 (unaudited)	75,501	776	83	76,360

	Loans and borrowings from banks EUR'000	Liabilities due to affiliated companies EUR'000	Finance lease liabilities/ lease liabilities EUR'000	Total EUR'000
At 1 January 2018	72,785	–	56	72,841
Proceeds from new bank loans	86,472	–	–	86,472
Repayment of bank loans	(70,100)	–	–	(70,100)
Proceeds from new loans from affiliated companies	–	1,157	–	1,157
Repayment of loans from affiliated companies	–	(776)	–	(776)
Capital element of lease rentals paid	–	–	(64)	(64)
Interest element of lease rentals paid	–	–	(4)	(4)
Other borrowing costs paid	(1,334)	(14)	–	(1,348)
– Total changes from financing cash flow	15,038	367	(68)	15,337
Other changes				
Increase in finance lease liabilities/lease liabilities from entering into new leases during the period	–	–	49	49
Interest expenses	1,266	14	4	1,284
Exchange difference	–	–	2	2
Other changes	1,266	14	55	1,335
At 31 December 2018	89,089	381	43	89,513

	Loans and borrowings from banks EUR'000	Liabilities due to affiliated companies EUR'000	Finance lease liabilities/ lease liabilities EUR'000	Total EUR'000
At 1 January 2019	89,089	381	43	89,513
Impact on initial application of HKFRS 16 *(Note)*	–	–	7,316	7,316
At 1 January 2019 (restated)	89,089	381	7,359	96,829
Proceeds from new bank loans	63,075	–	–	63,075
Repayment of bank loans	(53,009)	–	–	(53,009)
Repayment of loans from affiliated companies	–	(381)	–	(381)
Capital element of lease rentals paid	–	–	(424)	(424)
Interest element of lease rentals paid	–	–	(141)	(141)
Other borrowing costs paid	(493)	(5)	–	(498)
– Total changes from financing cash flow	9,573	(386)	(565)	8,622
Other changes				
Increase in finance lease liabilities/lease liabilities from entering into new leases during the period	–	–	180	180
Interest expenses	614	5	141	760
Exchange difference	–	–	9	9
Other changes	614	5	330	949
At 30 June 2019	99,276	–	7,124	106,400

Note: The Target Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Notes 2 and 17.

(d) Total cash out flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December 2018	Six months ended 30 June 2019 (Note)
	EUR'000	EUR'000
Within operating cash flows	1,157	149
Within financing cash flows	68	565
	1,225	714

Note: As explained in Note 23(c), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

	Year ended 31 December 2018	Six months ended 30 June 2019
	EUR'000	EUR'000
Lease rentals paid	1,225	714

24. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

		As at 31 December			As at
		2016	2017	2018	30 June 2019
	Note	EUR'000	EUR'000	EUR'000	EUR'000
Trade payables	(a)	10,061	14,299	20,070	21,953
Accruals		5,894	3,419	3,894	6,356
Value added taxes payables		3,474	2,997	3,111	1,542
Liabilities to employees		1,268	1,507	622	603
Other liabilities		1,022	1,471	1,631	1,425
Other payables		11,658	9,394	9,258	9,926
Less: non-current other payables		(43)	(30)	(31)	(34)
		21,676	23,663	29,297	31,845
Contract liabilities	(b)	–	–	13,843	16,362

(a) Trade payables

The aging analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
0 - 30 days	7,343	9,711	10,628	15,707
31 - 60 days	2,349	3,342	6,427	3,586
61 - 90 days	38	1,156	2,274	1,887
Over 90 days	331	90	741	773
	10,061	14,299	20,070	21,953

(b) Contract liabilities

		31 December 2017	1 January 2018	31 December 2018	30 June 2019
	Note	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
Contract liabilities					
Made-to-order contracts					
– Billings in advance of performance	(ii)	–	8,307	13,843	16,362

Notes:

(i) The Target Group has initially applied HKFRS 15 using the cumulative effect method.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "Advance from customers" to "Contract liabilities".

Movements in contract liabilities

	2018	**2019**
	EUR'000	*EUR'000*
Balance at 1 January	8,307	13,843
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(7,362)	(7,611)
Increase in contract liabilities as a result of billing in advance of manufacturing activity	12,898	10,130
Balance at 31 December/30 June	13,843	16,362

25. RECEIVABLES FROM/LIABILITIES DUE TO AFFILIATED COMPANIES

The terms of these balances are set out in Note 33.

26. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit plans

Provisions for pensions, disability benefits and similar obligations are created on account of pension schemes with commitments for retirement and surviving dependents' benefits and generally depend on the length of employment and the salary of the employee.

In Germany, the company-specific regulation governing the company pension scheme will be continued for the employees already working at the Giengen site before 1 November 2011 who took part in the transfer of operations to Albert Ziegler GmbH. The employees in question acquire entitlements to pension payments depending on their length of service with the company. The Target Group has to finance the entitlements from the cash flow when they fall due. The pension provisions created for this total EUR 2,487,000 as of 30 June 2019 (31 December 2018: EUR 1,905,000; 31 December 2017: EUR 1,696,000; 31 December 2016: EUR 1,469,000). The defined benefit plans in Germany concern the liabilities taken over from AZG Feuerwehrabwicklungsgesellschaft GmbH & Co. KG in bankruptcy through the company purchase agreement of 7 November 2013.

In other countries (P.T. Ziegler Indonesia, Jakarta/Indonesia), the employees acquire entitlements to severance payments when they reach retirement age, which are anchored in the companies ordinance. These regulations are based on a defined benefit system that is consistent with the applicable labour legislation. A corresponding fund to cover the liabilities has been set up at PT Asuransi Allianz Life Indonesia.

The risks associated with the pension schemes essentially concern the usual risks of defined benefit pension plans relating to possible changes to the discount rate, inflation trends and longevity.

The actuarial valuations of the present value of the pension obligations were carried out by certified actuaries. The present value of the pension obligations and the related service cost is calculated using the projected unit credit method.

The key assumptions applied for the actuarial valuations result as follows:

31 December 2016	**Germany**		**Abroad**
	Collective defined benefit plan	**Defined benefit plan governed by an individual contract**	**Defined benefit plan**
Discount rate	1.80%	1.80%	8.50%
Estimated future pension increases	1.50%	1.50%	0.00%
Estimated future salary increases	0.00%	0.00%	8.00%
Expected turnover rate	0.0% - 10.0%*	0.00%	0.0% - 5.0%**
Average life expectancy upon reaching retirement age (years)	26.69	18.44	13.86

31 December 2017	**Germany**		**Abroad**
	Collective defined benefit plan	**Defined benefit plan governed by an individual contract**	**Defined benefit plan**
Discount rate	1.79%	1.79%	7.25%
Estimated future pension increases	1.50%	1.50%	0.00%
Estimated future salary increases	0.00%	0.00%	8.00%
Expected turnover rate	0.0% - 10.0%*	0.00%	0.0% - 5.0%**
Average life expectancy upon reaching retirement age (years)	26.06	18.34	14.06

31 December 2018	**Germany**		**Abroad**
	Collective defined benefit plan	**Defined benefit plan governed by an individual contract**	**Defined benefit plan**
Discount rate	1.82%	1.82%	8.50%
Estimated future pension increases	1.50%	1.50%	0.00%
Estimated future salary increases	0.00%	0.00%	8.00%
Expected turnover rate	0.0% - 10.0%*	0.00%	0.0% - 5.0%**
Average life expectancy upon reaching retirement age (years)	25.71	16.31	14.67

30 June 2019	**Germany**		**Abroad**
	Collective defined benefit plan	**Defined benefit plan governed by an individual contract**	**Defined benefit plan**
Discount rate	1.03%	1.03%	8.50%
Estimated future pension increases	1.50%	1.50%	0.00%
Estimated future salary increases	0.00%	0.00%	8.00%
Expected turnover rate	0.0% - 10.0%*	0.00%	0.0% - 5.0%**
Average life expectancy upon reaching retirement age (years)	27.16	16.98	14.67

* Depending on the length of service with the Target Company

** Depending on the age of the active employees

The obligations arising from the defined benefit plans have developed as follows:

	Germany		Abroad	
	Collective defined benefit plan Present value of the obligation	**Defined benefit plan governed by an individual contract Present value of the obligation**	**Defined benefit plan Present value of the obligation**	**Total**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
As of 1 January 2016	1,091	5	328	1,424
Changes recognised in the profit or loss				
– Current service cost	240	1	39	280
– Net interest	27	–	26	53
– Expected pension payments	(1)	–	(53)	(54)
Total	1,357	6	340	1,703
Changes recognised in other comprehensive income				
– Actuarial losses from financial assumptions	144	–	12	156
– Experience actuarial gains	(38)	–	(27)	(65)
Foreign exchange differences	–	–	19	19
As at 31 December 2016	1,463	6	344	1,813

	Germany		Abroad	
	Collective defined benefit plan Present value of the obligation	**Defined benefit plan governed by an individual contract Present value of the obligation**	**Defined benefit plan Present value of the obligation**	**Total**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
As of 1 January 2017	1,463	6	344	1,813
Changes recognised in the profit or loss				
– Current service cost	246	1	20	267
– Net interest	28	–	22	50
– Expected pension payments	(3)	–	(3)	(6)
Total	1,734	7	383	2,124
Changes recognised in other comprehensive income				
– Actuarial losses from financial assumptions	4	–	34	38
– Experience actuarial gains	(49)	–	–	(49)
Foreign exchange differences	–	–	(38)	(38)
As at 31 December 2017	1,689	7	379	2,075

	Germany		Abroad	
	Collective defined benefit plan Present value of the obligation	**Defined benefit plan governed by an individual contract Present value of the obligation**	**Defined benefit plan Present value of the obligation**	**Total**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
As of 1 January 2018	1,689	7	379	2,075
Changes recognised in the profit or loss				
– Current service cost	234	1	(10)	225
– Net interest	32	–	24	56
– Expected pension payments	(6)	–	(14)	(20)
Total	1,949	8	379	2,336
Changes recognised in other comprehensive income				
– Actuarial losses from financial assumptions	(14)	–	(34)	(48)
– Experience actuarial gains	(23)	–	–	(23)
– Actuarial gains from demographic assumptions	(15)	–	–	(15)
Foreign exchange differences	–	–	(8)	(8)
As at 31 December 2018	1,897	8	337	2,242

	Germany		Abroad	
	Collective defined benefit plan Present value of the obligation	**Defined benefit plan governed by an individual contract Present value of the obligation**	**Defined benefit plan Present value of the obligation**	**Total**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
As of 1 January 2019	1,897	8	337	2,242
Changes recognised in the profit or loss				
– Current service cost	112	1	–	113
– Net interest	19	–	–	19
– Expected pension payments	(4)	–	(21)	(25)
Total	2,024	9	316	2,349
Changes recognised in other comprehensive income				
– Actuarial losses from financial assumptions	455	1	–	456
– Actuarial gains from demographic assumptions	(2)	–	–	(2)
As at 30 June 2019	2,477	10	316	2,803

No significant effects on the future cash flows of the Target Group are expected.

The following overview shows the approximate impact on the defined benefit obligations in the event of a change in the key actuarial assumptions for the collective defined benefit plan in Germany:

	Discount rate			**Pension increase rate**		
Change in the assumption	0.80%	1.80%	2.80%	1.25%	1.50%	1.75%
DBO 31 December 2016	1,925	1,463	1,137	1,412	1,463	1,516

	Discount rate			**Pension increase rate**		
Change in the assumption	0.79%	1.79%	2.79%	1.25%	1.50%	1.75%
DBO 31 December 2017	2,207	1,689	1,321	1,631	1,689	1,750

	Discount rate			**Pension increase rate**		
Change in the assumption	0.82%	1.82%	2.82%	1.25%	1.50%	1.75%
DBO 31 December 2018	2,470	1,897	1,490	1,832	1,897	1,966

	Discount rate			**Pension increase rate**		
Change in the assumption	0.03%	1.03%	2.03%	1.25%	1.50%	1.75%
DBO 30 June 2019	3,272	2,477	1,920	2,386	2,477	2,573

The sensitivity analysis for the defined benefit plan abroad can be presented as follows:

	Discount rate			**Salary increase rate**		
Change in the assumption	7.50%	8.50%	9.50%	7.00%	8.00%	9.00%
DBO 31 December 2016	329	302	279	278	302	330

	Discount rate			**Salary increase rate**		
Change in the assumption	6.25%	7.25%	8.25%	7.00%	8.00%	9.00%
DBO 31 December 2017	374	341	312	311	341	374

	Discount rate			**Salary increase rate**		
Change in the assumption	7.50%	8.50%	9.50%	7.00%	8.00%	9.00%
DBO 31 December 2018	318	290	266	266	290	318

	Discount rate			**Salary increase rate**		
Change in the assumption	7.50%	8.50%	9.50%	7.00%	8.00%	9.00%
DBO 30 June 2019	318	290	266	266	290	318

The sensitivity analysis for the collective defined benefit plan in Germany with regard to the rate of benefit increase during the qualifying period can be dispensed with, as the retirement benefit does not depend on rates of salary increases or rates of benefit increases. Similarly, the sensitivity analysis of the defined benefit plan governed by an individual contract in Germany has been dispensed with for reasons of materiality.

The sensitivities indicated are estimated by actuaries based on the defined benefit obligations at the time they come into effect. If several assumptions change, the effect is not necessarily the same as the overall effect of the changes to these assumptions in themselves. A change in life expectancy of +/- 1 year has no significant effect on the defined benefit obligation. The same method is applied when calculating the sensitivity of the defined benefit obligation to the significant actuarial assumptions (present value of the defined benefit obligation calculated using the projected unit credit method) as is used when calculating the pension obligations that are recognised in the consolidated financial statements.

No changes to or expansions of the defined benefit plans are planned.

(b) Defined contribution plan

Companies in some countries take part in state pension plans, which are operated by the governments of the countries in which the companies are active. All entitled employees have a claim to a pension corresponding to a fixed proportion of their final basic salary at the time they retire. The Target Group has to pay a defined percentage of the personnel expenses to the pension insurance institute in order to finance the pensions and has no other obligation to pay additional post-employment pension benefits beyond the contributions that are paid.

27. BANK LOANS

The bank loans were repayable as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Within one year or on demand	58,496	72,785	69,289	99,276
After one year but within two years	–	–	19,800	–
Total bank loans	58,496	72,785	89,089	99,276

The banks loans were secured as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Bank loans				
– secured by guarantees	56,496	70,785	86,517	96,638
– secured by pledged assets	2,000	2,000	2,030	2,026
– unsecured	–	–	542	612
Total bank loans	58,496	72,785	89,089	99,276

As at 31 December 2016, 2017 and 2018 and 30 June 2019, EUR56,496,000, EUR70,785,000, EUR86,517,000 and EUR96,638,000 of the bank loans are secured by means of guarantees from China International Marine Containers (Hong Kong) Limited and China International Marine Containers (Group) Co., Ltd..

The bank loans were secured by pledged assets at each of the end of the Relevant Period as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Property, plant and equipment	1,994	1,994	1,994	1,994
Inventory	3,532	2,631	3,205	3,563
Trade receivables	1,730	1,949	2,676	1,592
	7,256	6,574	7,875	7,149

28. OTHER PROVISIONS

	Warranty provisions *EUR'000*	Personnel-related provisions *EUR'000*	Other provisions *EUR'000*	Total *EUR'000*
As at 1 January 2016	1,899	365	276	2,540
Additions	1,978	257	379	2,614
Reversals	(765)	–	–	(765)
Consumption	(1,018)	(87)	(244)	(1,349)
Exchange adjustments	1	–	–	1
As at 31 December 2016 and 1 January 2017	2,095	535	411	3,041
Additions	1,906	545	3,266	5,717
Reversals	(576)	–	(21)	(597)
Consumption	(1,155)	(523)	(235)	(1,913)
Exchange adjustments	7	–	–	7
As at 31 December 2017 and 1 January 2018	2,277	557	3,421	6,255
Additions	1,119	754	592	2,465
Reversals	(697)	(1)	(2,005)	(2,703)
Consumption	(528)	(955)	(908)	(2,391)
Exchange adjustments	8	–	–	8
As at 31 December 2018 and 1 January 2019	2,179	355	1,100	3,634
Additions	793	525	121	1,439
Reversals	(431)	(17)	(245)	(693)
Consumption	(105)	(462)	(427)	(994)
Exchange adjustments	4	–	–	4
As at 30 June 2019	2,440	401	549	3,390

In accordance with the terms and conditions of sale, all product defects that emerge within two years from the date of sale are rectified. For this purpose, warranty provisions are created in relation to the sale based on past experience.

Personnel provisions result from entitlements of the employees to bonuses and provisions for semi-retirement.

The other provisions essentially relate to costs for anticipated losses from executory contracts, liquidated damages and outstanding credit notes.

The Target Group expects to settle the majority of the provisions for warranties, personnel and other provisions in the coming year.

The composition matching the maturity results as follows:

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Current provisions	2,123	5,283	3,006	2,543
Non-current provisions	918	972	628	847
	3,041	6,255	3,634	3,390

29. DEFERRED TAXATION

(a) Movement of each component of deferred tax (assets) and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Depreciation of property, plant and equipment	Intangible assets	Depreciation charge of right-of-use asset	Revaluation of inventories and other assets and liabilities	Credit loss allowance	Defined benefit retirement plan liability	Provision	Tax losses	Total
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
At 1 January 2016	1,570	617	–	(370)	82	(388)	(223)	(3,411)	(2,123)
Charged/(credited) to profit or loss	(92)	229	–	(80)	(13)	(79)	(69)	183	79
Charged/(credited) to reserves	–	–	–	–	–	(30)	11	–	(19)
Exchange difference	–	–	–	–	–	–	24	–	24
At 31 December 2016 and 1 January 2017	1,478	846	–	(450)	69	(497)	(257)	(3,228)	(2,039)
Charged/(credited) to profit or loss	(149)	200	–	(24)	(8)	(69)	(449)	971	472
Charged/(credited) to reserves	–	–	–	–	–	13	(32)	–	(19)
Exchange difference	–	–	–	–	–	–	(32)	–	(32)
At 31 December 2017 and 1 January 2018	1,329	1,046	–	(474)	61	(553)	(770)	(2,257)	(1,618)
Charged/(credited) to profit or loss	(112)	175	–	(115)	(53)	(81)	485	200	499
Charged/(credited) to reserves	–	–	–	–	–	15	(17)	–	(2)
Exchange difference	–	–	–	–	–	–	(7)	–	(7)
At 31 December 2018 and 1 January 2019	1,217	1,221	–	(589)	8	(619)	(309)	(2,057)	(1,128)
Charged/(credited) to profit or loss	(28)	378	130	(144)	(211)	(39)	(30)	(1,423)	(1,367)
Credited to reserves	–	–	–	–	–	(131)	(21)	–	(152)
Exchange difference	–	–	–	–	–	–	5	–	5
At 30 June 2019	1,189	1,599	130	(733)	(203)	(789)	(355)	(3,480)	(2,642)

(b) Reconciliation to the consolidated statements of financial position

	As at 31 December 2016	2017	2018	As at 30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Net deferred tax asset recognised in the consolidated statement of financial position	(2,543)	(2,134)	(2,235)	(3,181)
Net deferred tax liability recognised in the consolidated statement of financial position	504	516	1,107	539
	(2,039)	(1,618)	(1,128)	(2,642)

(c) Deferred tax assets not recognised

Deferred tax assets had been recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group did not recognise deferred tax assets of EUR470,000 in respect of losses amounting to EUR1,633,000 as at 31 December 2018 and 30 June 2019, as it is not probable that such tax losses could be utilised. The tax losses do not expire under current tax legislation. All deferred tax assets in respect of losses were recognised as at 31 December 2016 and 31 December 2017.

(d) Deferred tax liabilities not recognised

At 31 December 2016, 2017 and 2018 and 30 June 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to EUR11,811,000, EUR12,424,000, EUR14,475,000 and EUR15,054,000 respectively. Deferred tax liabilities of EUR3,399,000, EUR3,576,000, EUR4,166,000 and EUR4,332,000 have not been recognised at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively in respect of the tax that would be payable on the distribution of these retained earnings as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

30. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in Ziegler's individual components of equity between the beginning and the end of the year/period are set out below:

	Share capital	Other reserve	Retained earnings/ (accumulated losses)	Total equity
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
At 1 January 2016	13,543	20,000	(7,197)	26,346
Conversion of shareholder loans	–	25,890	–	25,890
Profit and total comprehensive income for the year	–	–	2,896	2,896
At 31 December 2016 and 1 January 2017	13,543	45,890	(4,301)	55,132
Profit and total comprehensive income for the year	–	–	8,601	8,601
At 31 December 2017 and 1 January 2018	13,543	45,890	4,300	63,733
Profit and total comprehensive income for the year	–	–	1,918	1,918
At 31 December 2018 and 1 January 2019	13,543	45,890	6,218	65,651
Loss and total comprehensive income for the for the period	–	–	(2,169)	(2,169)
At 30 June 2019	13,543	45,890	4,049	63,482

(b) Share capital

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Ordinary share capital, issued and paid up	13,543	13,543	13,543	13,543

(c) Nature and purpose of reserves

Other reserve

Other reserve represents the capital contribution from shareholders. During the year ended 31 December 2016, CIMC Top Gear B.V. and China Fire Safety Enterprise Group Limited (formerly "Profit Asia International Trading Limited") waived the Target Group's amounts due to them of EUR15,534,000 and EUR10,356,000 respectively, which resulted in an increase in other reserve.

31. OPERATING LEASE COMMITMENTS

	As at 31 December		
	2016	**2017**	**2018**
	EUR'000	*EUR'000*	*EUR'000*
Within one year	1,700	1,502	2,036
After one year but within two years	1,026	905	1,264
In the third up to and including the fifth years	1,727	1,811	1,844
After five years	5,849	5,518	4,972
	10,302	9,736	10,116

Operating lease payments represent rentals payable by the Target Group for certain of its premises, offices, vehicles and equipment. Length of the leases ranged from three months to eight years and rentals are fixed over the lease terms and do not include contingent rentals.

32. CONTINGENT LIABILITIES

The Target Group has issued financial guarantees to business partners totaling EUR753,000, EUR803,000, EUR647,000 and EUR575,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The risk of this being utilised has to be regarded as low, as the Target Group fulfils the obligations to those business partners for the Relevant Periods.

33. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group entered into the following material related party transactions.

(a) Transactions with key management personnel

The sole director of the Target Company is regarded as key management personnel, and his emoluments are disclosed in Note 13.

(b) The Target Group has conducted transactions in the Relevant Periods with the related parties listed below:

- CIMC Flight B.V.: fellow subsidiary of the immediate holding company;
- CIMC Finance Company Limited: fellow subsidiary of the immediate holding company;
- CIMC Top Gear B. V.: immediate holding company;
- China International Marine Containers (Hong Kong) Ltd.: fellow subsidiary of the immediate holding company;
- China Fire Safety Enterprise Group Limited (formerly "Profit Asia International Trading Limited"): a shareholder with significant influence;
- Xinfa Airport Equipment Ltd.: subsidiary of a shareholder with significant influence;
- Shenzhen CIMC - Tianda Airport Support Ltd. (TAS): subsidiary of a shareholder with significant influence;
- Sichuan Morita Fire Appliances Limited Company: subsidiary of a shareholder with significant influence;
- CIMC Glasswork Ltd.: fellow subsidiary of the immediate holding company; and
- Sharp Vision Holding Limited: fellow subsidiary of the immediate holding company

The nature of the material related party transactions was as follows:

	As at 31 December			As at
	2016	**2017**	**2018**	**30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Amounts due from related parties				
Sichuan Morita Fire Appliances Limited Company	5	5	5	5
Xinfa Airport Equipment Ltd.	680	–	–	–
Shenzhen CIMC – Tianda Airport Support Ltd. (TAS)	74	–	–	–
Sharp Vision Holding Limited	–	168	–	–
	759	173	5	5
Amounts due to related parties				
CIMC Flight B.V.	–	–	133	133
CIMC Top Gear B. V.	257	–	–	–
Profit Asia International Trading Limited	293	–	–	–
	550	–	133	133
Loans from				
CIMC Finance Company Ltd.	–	–	381	–
	550	–	514	133

The amounts due from/to related parties were unsecured, interest-free and recoverable/repayable on demand except for the loan from a related party, which was interest bearing at 5.44% per annum and repaid on 28 March 2019.

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(unaudited)	
Interest expenses paid/payable to					
CIMC Top Gear B. V.	280	–	–	–	–
China International Marine Containers (Hong Kong) Ltd.	99	–	–	–	–
Profit Asia International Trading Limited	186	–	–	–	–
China International Marine Containers (Hong Kong) Ltd.	–	–	5	–	5
CIMC Finance Company Ltd.	–	–	9	9	–
	565	–	14	9	5
Sales of goods and services to					
Shenzhen CIMC – Tianda Airport Support Ltd. (TAS)	74	–	–	–	–
Xinfa Airport Equipment Ltd.	671	–	–	–	–
Sharp Vision Holding Limited	–	168	–	–	–
	745	168	–	–	–
Purchase of goods and services from					
CIMC Glasswork Ltd.	323	403	377	167	186
Shenzhen CIMC – Tianda Airport Support Ltd. (TAS)	53	–	–	–	–
	376	403	377	167	186

The following transactions were conducted with the associated company, Cela Srl., in the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*
				(unaudited)	
Sale of goods to	–	3	3	3	–
Purchase of goods from	–	3,305	2,531	844	12
Advance payments made to	–	90	83	83	83

The related party transaction as set out above were carried out on terms mutually agreed between the parties. These transactions were in the ordinary course of business of the Target Group and in accordance with the term of the underlying agreements.

34. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Non-current assets				
Property, plant and equipment	17,087	15,700	15,604	15,848
Right-of-use assets	–	–	–	6,168
Intangible assets	8,799	10,658	11,836	12,840
Investments in subsidiaries	11,095	11,096	11,052	11,052
Deferred tax assets	1,240	–	–	26
	38,221	37,454	38,492	45,934
Current assets				
Inventories	42,745	50,723	61,810	73,181
Trade receivables	26,737	26,687	31,745	33,414
Other receivables and other assets	3,820	2,829	3,780	2,591
Receivables due from affiliated companies	21,179	35,737	45,800	50,643
Current tax recoverable	–	7	2,304	990
Pledged bank deposits	27	27	–	–
Cash and cash equivalents	7,540	9,049	7,476	2,204
	102,048	125,059	152,915	163,023
Current liabilities				
Trade and other payables	12,187	13,450	18,211	19,086
Advance from customers	9,945	4,950	–	–
Finance lease liabilities/lease liabilities	45	45	–	429
Contract liabilities	–	–	8,297	9,257
Liabilities due to affiliated companies	3,117	3,939	7,852	9,952
Bank loans	56,496	70,785	66,717	96,638
Other provisions	1,132	1,793	1,592	1,353
Current tax liabilities	174	1,420	39	–
	83,096	96,382	102,708	136,715
Net current assets	18,952	28,677	50,207	26,308
Total assets less current liabilities	57,173	66,131	88,699	72,242
Non-current liabilities				
Employee benefit obligations	1,469	1,696	1,905	2,486
Deferred tax liabilities	–	243	851	–
Bank loans	–	–	19,800	–
Finance lease liabilities/lease liabilities	45	–	–	5,756
Other provisions	527	459	492	518
	2,041	2,398	23,048	8,760
NET ASSETS	55,132	63,733	65,651	63,482
CAPITAL AND RESERVES				
Share capital	13,543	13,543	13,543	13,543
Other reserves	45,890	45,890	45,890	45,890
(Accumulated losses)/retained earnings	(4,301)	4,300	6,218	4,049
TOTAL EQUITY	55,132	63,733	65,651	63,482

35. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

As at as at 31 December 2016, 2017 and 2018 and 30 June 2019, the directors of the Target Company considered the immediate holding company and ultimate holding company of the Target Company were CIMC Top Gear B. V. and China International Marine Containers (Group) Ltd. ("CIMC") respectively. CIMC Top Gear B.V. and CIMC were incorporated in the Netherlands and China, respectively. CIMC produces financial statements in accordance with China Accounting Standards which are available for public use.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Albert Ziegler GmbH or any of its subsidiaries in respect of any period subsequent to 30 June 2019.

Set out below is the management discussion and analysis of the business and results of operations of the Ziegler Group for each of the three years ended 31 December 2016, 2017 and 2018, and for the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE ZIEGLER GROUP

Business review

Ziegler is a company incorporated in Germany with limited liability and the holding company of a number of operating subsidiaries incorporated in Germany, Netherlands, Italy, Czech Republic, the PRC, Indonesia and Croatia. The Ziegler Group is principally engaged in the production and sale of firefighting and rescue vehicles and other firefighting components as well as the provision of relevant after sales services.

Revenue

The Ziegler Group generates its revenue solely from the sales of firefighting and rescue vehicles, firefighting equipment and the provision of related services.

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the revenue of the Ziegler Group was approximately EUR219,960,000, EUR232,883,000, EUR202,553,000, EUR103,571,000 and EUR101,749,000, respectively.

The increase in revenue of approximately 5.88% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to certain big orders received from customers in Europe and the PRC. The decrease in revenue of approximately 13.02% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to (i) the problems in relation to the implementation of the new ERP systems that caused certain scheduling issues in production and goods delivery in 2018; and (ii) the late deliveries of some key components of pumps by certain key suppliers that affected the production schedules of the Ziegler Group. The decrease in revenue of approximately 1.76% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018 was primarily attributable to the continuing effect on the productions and deliveries of the Ziegler Group caused by the issues of the new ERP systems and delivery problems of certain key suppliers started from the second half year of 2018. The decrease was partially levelled off by the increase in average unit selling price as fewer customers purchased chassis on their own for the production of fire trucks and were therefore charged for the costs of chassis provided by the Ziegler Group for the six months ended 30 June 2019 compared to the six months ended 30 June 2018.

The ERP systems issues have been resolved and the delivery problems of those key suppliers have been greatly improved in the second half of year 2019.

Cost of sales

The Ziegler Group's cost of sales consists solely of costs of inventories sold, which comprises, among other things, raw materials, labour costs and production overheads.

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the cost of sales of the Ziegler Group was approximately EUR187,913,000, EUR188,994,000, EUR173,187,000, EUR82,791,000 and EUR87,891,000, respectively.

The costs of sales were relatively stable for the year ended 31 December 2017 compared to the year ended 31 December 2016 in spite of the increase in revenue because a larger proportion of customers purchased the chassis on their own for the production of fire trucks for the year ended 31 December 2017. Costs of chassis generally make up approximately 30% of the costs of a fire truck but carry a very thin margin. The decrease in purchase of chassis by the Ziegler Group reduced substantially the costs of sales. The decrease in cost of sales of approximately 8.36% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to (i) the decrease in sales for 2018; and (ii) the smaller proportion of customers acquired chassis on their own for the production of fire trucks for the year ended 31 December 2018 as compared to 2017.

The increase in cost of sales of approximately 6.16% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018 despite the slight decrease in revenue was primarily attributable to (i) the smaller proportion of customers acquired chassis on their own for six months ended 30 June 2019 as compared to the same period for 2018; and (ii) the sales to a customer with exceptionally high margin recognized in the first half of 2018.

Gross profit

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the gross profit of the Target Group was approximately EUR32,047,000, EUR43,889,000, EUR29,366,000, EUR20,780,000 and EUR13,858,000, respectively.

There was an increase in gross profit of approximately 36.95% for the year ended 31 December 2017 compared to the year ended 31 December 2016. The gross profit margin increased from 14.57% for 2016 to 18.85% for 2017 because of (i) a change in the sales mix; and (ii) the increase in proportion of sales of fire trucks in 2017 with chassis provided by customers on their own. As chassis carried a tiny margin only, the exclusion of the costs of chassis drove up the gross profit margin for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

There was a decrease in gross profit of approximately 33.09% for the year ended 31 December 2018 compared to the year ended 31 December 2017. The gross profit margin decreased from 18.85% for 2017 to 14.50% for 2018 because of the decrease in proportion of sales of fire trucks in 2018 with chassis provided by customers on their own.

There was a decrease in gross profit of approximately 33.31% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018. The gross profit margin decreased from 20.06% for the six months ended 30 June 2018 to 13.62% for the six months ended 30 June 2019 because of the decrease in proportion of sales of fire trucks for the six months ended 30 June 2019 with chassis provided by customers on their own and sales to a customer with exceptionally high margin was recognized in the first half of 2018.

Selling and distribution expenses

The selling and distribution expenses of the Ziegler Group primarily consist of staff costs of sales and marketing staff, commissions, advertising and promotion expenses, packing expenses, freight expenses and provision for compensation to a customer.

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the selling and distribution expenses of the Ziegler Group was approximately EUR14,852,000, EUR17,284,000, EUR14,706,000, EUR7,762,000 and EUR8,280,000, respectively.

The increase in selling and distribution expenses of approximately 16.37% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to a provision for potential compensation to a Dutch customer made in 2017 due to late delivery by the Ziegler Group.

The decrease in selling and distribution expenses of approximately 14.92% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the one-off provision for potential compensation to a Dutch customer made in 2017. Part of the provision were reversed and recorded as other gains in 2018.

The increase in selling and distribution expenses of approximately 6.67% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018 was primarily attributable to (i) the commissions payable to sales partners for soliciting sales orders for the Ziegler Group for the six months ended 30 June 2019; and (ii) the increase in shipping expenses incurred for the six months ended 30 June 2019 as compared with the corresponding period in 2018 with the change in the mix of destinations shipped.

General and administrative expenses

The administrative expenses of the Ziegler Group primarily consist of staff costs of administrative staff, office expenses, legal and professional fees, rentals, and depreciation and amortization expenses.

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the administrative expenses of Zeiger Group were approximately EUR13,306,000, EUR16,003,000, EUR15,031,000, EUR6,652,000 and EUR8,555,000, respectively.

The increase in general and administrative expenses of approximately 20.27% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to (i) the IT expenses incurred for the planning, preparation and implementation of the new ERP systems that were not capitalized; and (ii) the full amortization of capitalized development costs of the fire trucks customized for a French customer upon sales of the fire trucks.

The decrease in general and administrative expenses of approximately 6.07% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the effect of the non-recurring IT expenses and full amortization of capitalized development costs incurred in 2017. However, the effect was partially eliminated by the increase in office expenses and repair and maintenance expenses incurred due to a fire accident happened in the Ziegler Group's factories in Germany in 2018.

The increase in general and administrative expenses of approximately 28.61% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018 was primarily attributable to (i) the increase in pension expenses recognised in relation to the change in actuarial valuation of the defined benefit retirement schemes in 2019; and (ii) IT expenses incurred for addressing the issues arose during implementation of the new ERP systems.

Other income

The other income of the Ziegler Group primarily consists of compensation and indemnities received from insurance companies, revenue from sale of scrap materials, subsidies, revenue from running staff canteens, interest income and sundry income.

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, other income of approximately EUR1,136,000, EUR1,543,000, EUR2,500,000, EUR523,000 and EUR1,113,000 were recorded, respectively.

The increase in other income of approximately 35.83% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the increase in bank interest income and other sundries income.

The increase in other income of approximately 62.02% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the receipt of part of the compensation and indemnities from insurance companies in the second half of 2018, for a fire accident happened in the Ziegler Group's factories in Germany.

The increase in other income of approximately 112.81% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018 was primarily attributable to the receipt of the remaining compensation and indemnities of from insurance companies in the first six months of 2019 for the fire accident happened in the Ziegler Group's factories in Germany in 2018.

Other gains/(losses) - net

The other gains/(losses) of the Ziegler Group primarily consists of allowances/reversal of allowances for trade and other receivables and inventories, provision/reversal of provision for warranties, staff related costs, anticipated losses and compensation for contracts, and the net exchange gains or losses.

For the three years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2018 and 2019, other gains/(losses) of approximately EUR952,000, EUR(2,352,000), EUR3,131,000, EUR290,000 and EUR(1,740,000) were recorded, respectively.

The change from other gains of EUR952,000 for the year ended 31 December 2016 to other losses of EUR2,352,000 for the year ended 31 December 2017 was primarily attributable to the impairment loss allowances made for trade receivables for the year ended 31 December 2017 due to the increase in the amounts of the aged overdue trade receivables. The Ziegler Group assesses trade receivables for impairment loss on a collective group basis based on the time overdue. Other than those settled by letters of credit, trade customers are normally given credit periods of 30 to 120 days. Impairment loss allowances are made on trade receivables that have been overdue for a period of less than 12 months at 5% of the receivables amount, 12 months to 24 months at 30% and over 24 months at 100%.

The change from other losses of EUR2,352,000 for the year ended 31 December 2017 to other gains of EUR3,131,000 for the year ended 31 December 2018 was primarily attributable to the reversal of impairment loss allowance for trade receivables and reversal of provisions for potential compensation to a Dutch customer for the year ended 31 December 2018.

The change from other gains of EUR290,000 for the six months ended 30 June 2018 to other losses of EUR1,740,000 for the six months ended 30 June 2019 was primarily attributable to the impairment loss allowances made for trade receivables for the six months ended 30 June 2019 due to the increase in the amounts of the aged overdue trade receivables. A considerable proportion of the aged overdue trade receivables is expected to be collected in the second half of year 2019.

Finance costs

The finance costs of the Ziegler Group consist mainly of interests on bank borrowings, interests on loans from affiliated companies and commission for bank guarantees.

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the finance costs of the Ziegler Group were approximately EUR1,642,000, EUR1,239,000, EUR1,465,000, EUR683,000 and EUR891,000, respectively.

The decrease in finance costs of approximately 24.54% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the decrease in interest expenses to affiliated companies due to the capitalization of the shareholders loans in December 2016.

The increase in finance costs of approximately 18.24% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in the amount of bank borrowings.

The increase in finance costs of approximately 30.45% for the six months ended 30 June 2019 compared to the six months ended 30 June 2018 was primarily attributable to the increase in the amount of bank borrowings.

Profit/(loss) before income tax and profit/(loss) for the year/period

As a result of the factors above, for the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the profit/(loss) before income tax of the Ziegler Group was approximately EUR3,758,000, EUR7,899,000, EUR3,469,000, EUR5,994,000 and EUR(4,743,000), respectively and the profit/(loss) of the Ziegler Group was approximately EUR2,840,000, EUR6,055,000, EUR2,283,000, EUR3,749,000 and EUR(3,190,000), respectively.

The increase in profit of the Ziegler Group of approximately 113.20% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the increase in gross profit as a result of the increase in revenue and the gross profit margin.

The decrease in profit of the Ziegler Group of approximately 62.30% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the decrease in gross profit as a result of the decrease in revenue and the gross profit margin.

The Ziegler Group turned into loss of EUR3,190,000 for the six months ended 30 June 2019 from profit of EUR3,749,000 for the six months ended 30 June 2018 primarily because of the decrease in gross profit as a result of the decrease in revenue and the gross profit margin as well as the increase in general administrative expenses and other losses. As stated in the relevant paragraphs above, revenue for the six months ended 30 June 2019 was affected by the issues of implementing the new ERP systems and the delivery problems of certain key suppliers. The general and administrative expenses for the period were driven up by the expenses incurred to address the issues of the ERP systems and the increase in pension expenses in relation to the change in actuarial valuation of the defined benefit retirement schemes of the Ziegler Group. In addition, impairment loss allowances on trade receivables, which was calculated at certain percentages of the amounts of overdue trade receivables in different age groups, increased with the increase in the amounts of the aged overdue trade receivables.

Liquidity, financial resources, capital structure and major items in consolidated statements of financial position

The following table sets forth a summary of the Target Group's financial position as at the dates indicated below:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Non-current assets	36,115	37,965	42,399	51,444
Current assets	129,342	145,941	168,667	177,853
Total assets	165,457	183,906	211,066	229,297
Current liabilities	98,975	111,524	116,152	151,231
Non-current liabilities	3,335	3,598	23,842	10,458
Total liabilities	102,310	115,122	139,994	161,689
Net current assets	30,367	34,417	52,515	26,622
Net assets	63,147	68,784	71,072	67,608

Property, plant and equipment

The property, plant and equipment of the Ziegler Group consist of land and buildings, plant, technical equipment, office equipment and assets under construction. Property, plant and equipment are stated in the consolidated financial statements at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Ziegler Group recorded property, plant and equipment in the carrying amounts of approximately EUR23,216,000, EUR22,614,000, RMB25,365,000 and RMB25,574,000, respectively.

The decrease in carrying amount of the property, plant and equipment of the Ziegler Group of approximately 2.59% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the depreciation of the relevant assets.

The increase in carrying amount of the property, plant and equipment of the Ziegler Group of approximately 12.17% at 31 December 2018 compared to 31 December 2017 was primarily attributable to the new production plant in Croatia and the related machines and equipment acquired.

The increase in carrying amount of the property, plant and equipment of the Ziegler Group of approximately 0.82% at 30 June 2019 compared to 31 December 2018 was the combined effect of the new assets purchased for normal replacement and the depreciation charges for the period.

Right-of-use assets

The right-of-use assets are offices and paint coating workshops leased by the Ziegler Group which was previously classified as operating leases but recognized as assets upon adoption of the HKFRS 16 "Leases" from 1 January 2019. Costs of the right-of-use assets are initially recognised at the present value of the leases payments of the relevant assets to be paid.

As at 30 June 2019, the Ziegler Group recorded right-of-use assets in the carrying amounts of approximately EUR7,068,000.

Intangible assets

The intangible assets of the Ziegler Group consist of mainly brand name, technology, order backlogs, software and development costs. Apart from brand name, intangible assets are stated in the consolidated financial statements at cost, less subsequent accumulated amortisation and subsequent accumulated impairment losses, if any. Brand name is not subject to amortization but impairment loss, if any.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Ziegler Group recorded intangible assets in the carrying amounts of approximately EUR10,356,000, EUR10,777,000, EUR12,031,000 and EUR13,035,000, respectively.

The general increase in carrying amount of the intangible assets of the Ziegler Group was primarily attributable to the new ERP systems acquired and additional development costs capitalised during the reporting periods.

Interest in an associate

The interest in an associate of the Ziegler Group represents its investment in 25% equity interests in a company incorporated in Italy which is principally engaged in the manufacturing and sale of hydraulic rescue platforms. The investment was made in 2017.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Ziegler Group recorded interest in an associate in the carrying amounts of approximately nil, EUR2,440,000, EUR2,768,000 and EUR2,791,000, respectively.

The general increase in carrying amount of the interests in associate of the Ziegler Group was primarily attributable to its share of the profits of the associate during the reporting periods.

Inventories

The inventories of the Ziegler Group consist of raw materials, work-in-progress and finished goods. The following table sets forth a summary of the Ziegler Group's inventory balance as at the dates indicated below:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Raw materials	37,323	44,703	50,259	59,129
Work-in-progress	21,540	28,858	21,952	30,604
Finished goods	14,396	11,989	25,457	23,256
Total inventories	73,259	85,550	97,668	112,989

The increase in inventories of the Ziegler Group of approximately 16.78% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the increase in sales orders in 2017. More stock of raw materials and work-in-progress were resulted from the increased purchases to meet the increased sales orders.

The increase in inventories of the Ziegler Group of approximately 14.16% at 31 December 2018 compared to 31 December 2017 was primarily attributable to the delays in productions caused by the new ERP systems issues and the delivery problems of certain key suppliers of key components of pumps.

The increase in inventories of the Ziegler Group of approximately 15.69% at 30 June 2019 compared to 31 December 2018 was primarily attributable to the delays in production due to the new EPR systems issues and the delivery problems of certain key suppliers.

The ERP systems issues have been resolved and the delivery problems of those key suppliers have been greatly improved in the second half of year 2019.

Trade receivables

The trade receivables of the Ziegler Group consist solely of proceeds receivable from the sale of goods and services.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the trade receivables of the Ziegler Group were approximately EUR36,187,000, EUR37,988,000, EUR46,929,000 and EUR49,244,000, respectively.

The increase in trade receivables of the Ziegler Group of approximately 4.98% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the year-to-year increase in revenue from sales.

The increase in trade receivables of the Ziegler Group of approximately 23.54% at 31 December 2018 compared to 31 December 2017 was primarily attributable to (i) the delayed settlement by the fire brigades in the PRC as they were undergoing organization restructuring in 2018; and (ii) a considerable proportion of sales in 2018 were recognised in December which were still in the credit period at end of 2018.

The increase in trade receivables of the Ziegler Group of approximately 4.93% at 30 June 2019 compared to 31 December 2018 was primarily because a majority of the customers most often settle the outstanding trade receivables at period close to the year end date.

Other receivables and other assets

Other receivables and other assets of the Ziegler Group consist mainly of prepayments to suppliers of raw materials and parts and components, VAT and other tax receivables, and deposits paid.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the other receivables and other assets of the Ziegler Group were approximately EUR6,871,000, EUR7,568,000, EUR9,496,000 and EUR9,698,000, respectively.

The increase in other receivables and other assets of the Ziegler Group of approximately 10.14% at 31 December 2017 compared to 31 December 2016 was primarily attributable to (i) increased prepayment to suppliers for purchase of raw materials and parts and components; and (ii) deposits paid for acquisition of a land for construction of a production plant in Croatia.

The increase in other receivables and other assets of the Ziegler Group of approximately 25.48% at 31 December 2018 compared to 31 December 2017 was primarily attributable to (i) the increased prepayment to suppliers for purchase of raw materials and parts and components; and (ii) increase in VAT receivable as output VAT decreased due to the decrease in sales recognized for 2018.

The other receivables and other assets of the Ziegler Group remained relatively stable at 30 June 2019 compared to 31 December 2018.

Trade payables

The trade payables of the Ziegler Group consist primarily of amounts payable to suppliers of raw materials and parts and components for the production of firefighting and rescue vehicles and firefighting equipment.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the trade payables of the Ziegler Group were approximately EUR10,061,000, EUR14,299,000, EUR20,070,000 and EUR21,953,000, respectively.

The increase in trade payables of the Ziegler Group of approximately 42.12% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the increase in sales volume for 2017 and the increase in inventories.

The increase in trade payables of the Ziegler Group of approximately 40.36% at 31 December 2018 compared to 31 December 2017 was primarily attributable to the increase in inventories.

The increase in trade payables of the Ziegler Group of approximately 9.38% at 30 June 2019 compared to 31 December 2018 was primarily attributable to the increase in inventories.

Other payables

The other payables of the Ziegler Group consist of accruals, VAT payables, liabilities to employees and other liabilities. The following table sets forth a summary of the Ziegler Group's other payables as at the dates indicated below:

	As at 31 December 2016	**As at 31 December 2017**	**As at 31 December 2018**	**As at 30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Accruals	5,894	3,419	3,894	6,356
Valued added tax payables	3,474	2,997	3,111	1,542
Liabilities to employees	1,268	1,507	622	603
Other liabilities	1,022	1,471	1,631	1,425
Total other payables	11,658	9,394	9,258	9,926
Less: non-current other payables	(43)	(30)	(31)	(34)
Other payables in current liabilities	11,615	9,364	9,227	9,892

Liabilities to employees represented primarily wages payable to the blue collar workers of the Ziegler Group.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the other payables of the Ziegler Group were approximately EUR11,658,000, EUR9,394,000, EUR9,258,000 and EUR9,926,000, respectively.

The decrease in other payables of the Ziegler Group of approximately 19.42% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the decrease in accruals for employees' holiday payment and overtime payment.

The other payables of the Ziegler Group remained relatively stable at 31 December 2018 compared to 31 December 2017.

The increase in other payables of the Ziegler Group of approximately 7.22% at 30 June 2019 compared to 31 December 2018 was primarily attributable to (i) the increase in accruals for employees' pensions due to the change in actuarial valuation of defined benefit retirement schemes; and (ii) the accruals for holiday payment and bonus to employees in mid-year.

Advance from customers and contract liabilities

Advance from customers and contract liabilities of the Ziegler Group consist solely of advance payment from customers for custom made firefighting and rescue vehicles.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the trade payables of the Ziegler Group were approximately EUR15,711,000, EUR8,307,000, EUR13,843,000 and EUR16,362,000, respectively.

The decrease in advance from customers of the Ziegler Group of approximately 47.13% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the increase in sales in 2017 and a substantial amount of advance payment from customers was net off against trade receivables upon invoice billing.

Advance from customers at 31 December 2017 were reclassified to contract liabilities upon adoption of HKFRS 15 "Revenue from contracts with customers" on 1 January 2018. The increase in contract liabilities of the Ziegler Group of approximately 66.64% at 31 December 2018 compared to 31 December 2017 was primarily attributable to the decrease in sales in 2018 as the recognition was delayed due to the new ERP system issues such that a considerable amount of advance from customers were left outstanding in books.

The increase in contract liabilities of the Ziegler Group of approximately 18.20% at 30 June 2019 compared to 31 December 2018 was primarily attributable to the expected delivery and recognition of a majority of the relevant sales and trade receivables in the second half of 2019.

Finance lease liabilities/lease liabilities

Finance lease liabilities/lease liabilities consist of the finance lease liabilities for acquisition of certain equipment and the lease liabilities recognized for leases of certain leased offices and paint coating workshops, which were previously classified as operating leases, upon adoption of the HKFRS 16 "Leases" from 1 January 2019.

	As at 31 December 2016	**As at 31 December 2017**	**As at 31 December 2018**	**As at 30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Current liabilities	52	51	9	889
Non-current liabilities	57	5	34	6,235
Total finance lease liabilities/ lease liabilities	109	56	43	7,124

The increase in finance lease liabilities/lease liabilities at 30 June 2019 as compared to 31 December 2018 was the direct result of the adoption of HKFRS 16 "Leases" from 1 January 2019.

Other provisions

The other provisions of the Ziegler Group consist mainly of provision for warranties, provision for staff related costs (including bonuses and retirement costs), and other provisions (primarily provision for anticipated losses and compensation for contracts). The following table sets forth a summary of the Ziegler Group's other provisions as at the dates indicated below:

	As at 31 December 2016	**As at 31 December 2017**	**As at 31 December 2018**	**As at 30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Provision for warranties	2,095	2,277	2,179	2,440
Provision for staff related costs	535	557	355	401
Others	411	3,421	1,100	549
Total other provisions	3,041	6,255	3,634	3,390
Less: non-current other provisions	(918)	(972)	(628)	(847)
Other provisions in current liabilities	2,123	5,283	3,006	2,543

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the trade payables of the Ziegler Group were approximately EUR3,041,000, EUR6,255,000, EUR3,634,000 and EUR3,390,000, respectively.

The increase in other provisions of the Ziegler Group of approximately 105.69% at 31 December 2017 compared to 31 December 2016 was primarily attributable to the provision for potential compensation to a Dutch customer during the year 2017 due to a late delivery by the Ziegler Group.

The decrease in other provisions of the Ziegler Group of approximately 41.90% at 31 December 2018 compared to 31 December 2017 was primarily attributable to the reversal of the provision for potential compensation to a Dutch customer made in 2017 with compensations paid after negotiation with the customer.

The other provisions of the Ziegler Group remained relatively stable at 30 June 2019 compared to 31 December 2018.

Cash and bank balances

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the cash and bank balances of the Ziegler Group were approximately EUR11,825,000, EUR13,549,000, EUR11,321,000 and EUR3,632,000, respectively.

The increase in cash and bank balances of the Ziegler Group at 31 December 2017 compared to 31 December 2016 was primarily attributable to the net increase in bank loans.

The decrease in cash and bank balances of the Ziegler Group at 31 December 2018 compared to 31 December 2017 was primarily attributable to the net cash used in operating activities and investing activities due to the increase in inventories and trade receivables, and the purchase of property, plant and equipment and the new ERP systems.

The decrease in cash and bank balances of the Ziegler Group at 30 June 2019 compared to 31 December 2018 was primarily attributable to the net cash used in operating activities due to the loss incurred for the six months ended 30 June 2019 and the increase in inventories and trade receivables.

The cash and bank balances of the Ziegler Group were denominated in EUR, USD, Indonesian Rupiah (IDR), RMB and Croatian Kuna (HRK).

Bank loans

The following table sets forth a summary of the interest rate profile of the bank loans of the Ziegler Group as at the dates indicated below:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Bank loans charged at:				
Fixed interest rate	10,000	46,600	20,339	75,409
Variable interest rate	48,496	26,185	68,750	23,867
Total	58,496	72,785	89,089	99,276
Effective interest rate for bank loans charged at:				
Fixed interest rate	1.4%	1.4%	1.4%	1.5%
Variable interest rate	1.0%	2.3%	2.3%	2.0%

The general increase in bank loans of the Ziegler Group was primarily attributable to the requirements for working capital and investment purpose including the equity investment in an associate in Italy and the acquisition of fixed assets and intangible assets. Due to the increase in inventories and trade receivables, the Ziegler Group had net operating cash outflows for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. There was no seasonality borrowing requirement for the Ziegler Group.

As at 31 December 2016, the bank loans of the Ziegler Group were approximately EUR58,496,000 which were repayable within one year. As at 31 December 2017, the bank loans of the Ziegler Group were approximately EUR72,785,000 which were repayable within one year. As at 31 December 2018, the bank loans of the Ziegler Group were approximately EUR89,089,000, of which approximately EUR69,289,000 were repayable within one year and approximately EUR19,800,000 were repayable after one year but within two years. As at 30 June 2019, the bank loans of the Ziegler Group were approximately EUR99,276,000 which were repayable within one year. The bank loans of the Ziegler Group were denominated in EUR and HRK.

As a majority of the banking facilities of the Ziegler Group are obtained by CIMC allocating certain amount of its banking facilities granted by banks, the amounts of the borrowing facilities of the Ziegler Group are set by CIMC. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the borrowing facilities of the Ziegler Group were EUR70,000,000, EUR80,000,000, EUR90,000,000 and EUR107,500,000, respectively. Borrowing facilities allocated were short-term in nature.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, bank loans with carrying value of EUR56,496,000, EUR70,785,000, EUR86,517,000 and EUR96,638,000 were guaranteed by CIMC (HK) and CIMC, the holding companies of Ziegler.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, bank loans with carrying value of EUR2,000,000, EUR2,000,000, EUR2,030,000 and EUR2,026,000 were secured by certain property, plant and equipment, inventories and trade receivables as further disclosed in the section headed "Charges on assets" below.

Cash flow

The following table sets forth a summary of the cash flow of the Ziegler Group extracted from the consolidated statements of cash flow of the Ziegler Group for the periods indicated below:

	For the year ended 31 December 2016	**For year ended 31 December 2017**	**For the year ended 31 December 2018**	**For the six months ended 30 June 2018**	**For the six months ended 30 June 2019**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000* (unaudited)	*EUR'000*
Net cash from/(used in) operating activities	6,736	(4,700)	(9,505)	(4,148)	(13,351)
Net cash used in investing activities	(4,910)	(6,627)	(8,034)	(5,448)	(2,980)
Net cash from financing activities	6,464	13,195	15,337	2,859	8,622
Net increase/(decrease) in cash and cash equivalents	8,290	1,868	(2,202)	(6,737)	(7,709)
Cash and cash equivalents at the end of the year/period, represented by cash and bank balances	11,825	13,549	11,321	6,787	3,632

Treasury policies

The Ziegler Group finances its working capital primarily through funds generated from operations and bank loans.

In order to manage liquidity risks, the management of the Ziegler Group regularly monitors its liquidity requirements to ensure that the Ziegler Group maintains sufficient funds to meet its short-term and long-term liquidity requirements.

Gearing ratio

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the gearing ratio of the Ziegler Group (calculated as a percentage of net debts (being the sum of bank loans, finance lease liabilities/lease liabilities and interest bearing liabilities due to affiliated companies, less cash and bank balances) to total equity of the Ziegler Group) was approximately 74.08%. 86.20%, 110.02% and 152.01%, respectively. The increase in gearing ratios over the reporting periods were primarily attributable to the increasing amount of bank loans for financing the working capitals of the Ziegler Group and also the recognition of lease liabilities that were previously classified as operating leases with the adoption of HKFRS 16 "Leases" from 1 January 2019.

Capital commitments

During the reporting periods, the Ziegler Group did not have any material capital commitments.

Hedging

The Ziegler Group did not (i) enter into any financial instruments for hedging purposes or (ii) have any currency borrowings or other hedging instruments for foreign currency net investments for the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2019.

Significant investments held

Save for the investment in 25% equity interests in Cela S.R.L., a company incorporated in Italy and principally engaged in the manufacturing and sales of hydraulic rescue platforms, with carrying values at 31 December 2017, 31 December 2018 and 30 June 2019 of approximately EUR2,440,000, EUR2,768,000 and EUR2,791,000, respectively, the Ziegler Group did not hold any significant investment for the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2019.

Material acquisitions and disposals

Save for the investment in 25% equity interests in Cela S.R. L in 2017 at an investment costs of EUR2,400,000, the Ziegler Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures for the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2019.

The Ziegler Group has no specific future plans for material investments or capital assets as at the Latest Practicable Date.

Employees and remuneration policies

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the total number of employees of the Ziegler Group was 1,397, 1,389, 1,427 and 1,458, respectively .

For the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2018 and 2019, the total employee remuneration expenses (including directors' remuneration) of the Ziegler Group were approximately EUR54,322,000, EUR56,962,000, EUR58,024,000, EUR29,577,000 and EUR31,695,000, respectively.

The Ziegler Group contributes to (i) a defined benefit retirement schemes which are available to employees in Germany who joined Ziegler before 1 November 2011; (ii) a defined contribution retirement schemes which are available to other employees in Germany who joined Ziegler on or after 1 November 2011; (iii) a defined benefit retirement schemes which are available to all of its employees in Indonesia; and (iv) a defined contribution retirement schemes which are available to all of its employees in the PRC, in accordance with the relevant laws and regulations in the respective countries.

Employees of the Ziegler Group are entitled to all the statutory staff welfare and benefits in the respective countries in which the Group entities they work for are located. Certain top management of the Ziegler Group are entitled to bonus that are pegged to certain performance index agreed.

Save as disclosed above, there are no other remuneration policies, bonus and share option schemes for the employees of the Ziegler Group. The Ziegler Group provides periodic trainings to its employees with a view to constantly improving their skills and knowledge in the manufacturing and sales of fire trucks. New employees are given orientation trainings on corporate culture and company policies upon joining the Ziegler Group. In addition to on-the-job trainings, classroom trainings and seminars on topics such as work safety, internal controls, quality controls, updates on applicable rules and regulations, management skills, communication skills and leadership skills are arranged for different employees according to their positions and needs from time to time.

Charges on assets

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Ziegler Group pledged the assets in the table below in favour of certain banks in order to secure the bank loans of the Ziegler Group:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Property, plant and equipment	1,994	1,994	1,994	1,994
Inventories	3,532	2,631	3,205	3,563
Trade receivables	1,730	1,949	2,676	1,592
Total	7,256	6,574	7,875	7,149

Exposure to fluctuations in exchange rates and related hedges

The Ziegler Group has limited exposure to fluctuations in exchange rates as most of the transactions are conducted in EUR, the functional currency of most of its subsidiaries and the reporting currency of the Ziegler Group.

Contingent liabilities

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Ziegler Group had contingent liabilities in respect of guarantees for bid bonds and performance bonds issued in the amount of EUR753,000, EUR803,000, EUR647,000 and EUR575,000, respectively.

Outlook and future prospects

The Ziegler Group has anticipated a stable business development in Germany in the coming years. Although the markets in Switzerland and Austria are considered having a positive outlook, growth drivers of the Ziegler Group are expected from the Asia (especially the PRC) and the Arabian regions. Upon completion of the Acquisition, it is expected that the Ziegler Group and the Group would create better synergistic effects in respect of product development, production and sales and marketing in the global fire safety market. The Ziegler Group has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the proposed acquisition of 60% of the equity interest in Ziegler on the Group, assuming that the Acquisition had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with those of the Group as set out in the interim report of the Group for the period ended 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2019 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 30 June 2019

		Pro forma adjustments			
	The Group	The Ziegler Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Property, plant and equipment	1,027,121	198,309	–	–	1,225,430
Right-of-use assets	301,382	55,251	–	–	356,633
Investment properties	253,751	–	–	–	253,751
Intangible assets	706,129	101,895	–	–	808,024
Investments in associates	726,807	21,817	(563,121)	–	185,503
Financial assets at fair value through profit or loss	10,000	–	–	–	10,000
Deferred income tax assets	47,807	24,866	–	–	72,673
Other non-current assets	4,291	–	–	–	4,291
	3,077,288	402,138	(563,121)	–	2,916,305
Current assets					
Inventories	1,237,213	883,235	–	–	2,120,448
Trade receivables	1,844,364	384,940	–	–	2,229,304
Prepayments and other receivables	517,221	85,964	–	–	603,185
Financial assets at fair value through other comprehensive income	26,500	–	–	–	26,500
Financial assets at fair value through profit or loss	4,829	–	–	–	4,829
Contract assets	650,622	–	–	–	650,622
Amounts due from related parties	48,674	39	–	–	48,713
Pledged bank deposits	41,719	7,708	–	–	49,427
Bank and cash balances	333,049	28,391	–	–	361,440
	4,704,191	1,390,277	–	–	6,094,468
Total assets	7,781,479	1,792,415	(563,121)	–	9,010,773

		Pro forma adjustments			
	The Group	The Ziegler Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current liabilities					
Trade and other payables	7,704	28,798	–	–	36,502
Borrowings	116,544	–	–	–	116,544
Lease liabilities	41,806	48,739	–	–	90,545
Convertible bonds	88,158	–	–	–	88,158
Deferred income tax liabilities	62,015	4,213	–	–	66,228
Deferred income	95,019	–	–	–	95,019
	411,246	81,750	–	–	492,996
Current liabilities					
Trade and other payables	1,742,877	248,933	–	3,384	1,995,194
Amounts due to related parties	68,085	1,040	246,001	–	315,126
Contract liabilities	998,763	127,902	–	–	1,126,665
Borrowings	825,225	776,040	–	–	1,601,265
Lease liabilities	10,368	6,949	–	–	17,317
Provision	100,406	19,879	–	–	120,285
Financial liabilities at fair value through profit or loss	2,603	–	–	–	2,603
Current income tax liabilities	43,106	1,431	–	–	44,537
	3,791,433	1,182,174	246,001	3,384	5,222,992
Total liabilities	4,202,679	1,263,924	246,001	3,384	5,715,988
Net assets	3,578,800	528,491	(809,122)	(3,384)	3,294,785

(II) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts have been extracted from the unaudited condensed consolidated statement of financial position as at 30 June 2019 included in the published interim report of the Company for the period ended 30 June 2019.

2. The amounts have been extracted from the audited consolidated statement of financial position of the Ziegler Group as at 30 June 2019 in the accountant's report as set out in Appendix II to this circular, which are translated from EUR to RMB based on the exchange rate of EUR1 = RMB7.817 published by the People's Bank of China on 30 June 2019.

3. For the purpose of the Unaudited Pro Forma Financial Information, given that the Group and the Ziegler Group are under the common control of CIMC both before and after the Acquisition, the Acquisition will be accounted as business combination under common control and will be accounted for using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

   Prior to the Acquisition, the Company owns 40% equity interest in Ziegler accounted as investment in an associate. Upon completion of the Acquisition, Ziegler will become a 100% wholly-owned subsidiary of the Company. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Ziegler Group are included in the consolidated financial statements of the Enlarged Group as if the combination had occurred from the date when the Group and the Ziegler Group first came under the control of CIMC. Therefore, the difference between i) the investment in an associate representing the carrying amount of the 40% investment in Ziegler, and (ii) the net asset value of the Ziegler Group has been recognised in opening merger reserve of the Group.

   Pursuant to the terms and conditions of the sale and purchase agreement, a cash consideration for the Acquisition is EUR31,470,000 (equivalent to approximately RMB246,001,000, translated from EUR to RMB at the rate of EUR1 = RMB7.817 as set out in note 2 above). The adjustment represents the cash consideration to be paid of RMB246,001,000 as a deemed distribution and charged to merger reserve, assuming that completion of the Acquisition had taken place as at 30 June 2019.

4. The adjustment represents the estimated professional fees and transaction costs of approximately RMB3,384,000 charged to the profit and loss. The amounts are assumed to be paid after the completion of the Acquisition.

5. Apart from the above, no other adjustment has been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group and the Ziegler Group entered or proposed to enter into subsequent to 30 June 2019.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CIMC-TianDa Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CIMC-TianDa Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group"), and Albert Ziegler GmbH and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-4 of the Company's circular dated 19 November 2019, in connection with the proposed acquisition of 60% equity interest in Albert Ziegler GmbH (the "Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2019 as if the Acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2019, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 19 November 2019

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") were as follows:

(i) Long positions in the Shares and underlying Shares of the Company:

Name of Director(s)	Nature of interest	Number of Share(s) held	Number of underlying Shares held pursuant to share options	Total	Total interests as percentage of the issued share capital
Jiang Xiong	Beneficial owner	981,600,000	4,000,000	985,600,000	6.31%
Loke Yu	Beneficial owner	–	4,000,000	4,000,000	0.03%
Heng Ja Wei	Beneficial owner	–	4,000,400	4,000,000	0.03%
Ho Man	Beneficial owner	–	2,000,000	2,000,000	0.01%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Name of shareholder	Nature of interest	Number of Shares interested (other than under equity derivatives) *(Note 11)*	Number of Shares interested under equity derivatives *(Note 12)*	Total number of Shares underlying Shares under equity derivatives *(Note 12)*	Total interests as percentage of the issued share capital
Sharp Vision	Beneficial owner	6,755,369,842 (L)	2,863,592,755 (L)	9,618,962,597 (L)	61.60%
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430 (L)	–	1,223,571,430 (L)	7.84%
Cooperatie CIMC U.A.	Interest of a controlled corporation *(Note 2)*	1,223,571,430(L)	–	1,223,571,430 (L)	7.84%
China International Marine Containers (Hong Kong) Limited ("**CIMC HK**")	Interest of a controlled corporation *(Note 3 & 4)*	7,978,941,272 (L)	2,863,592,755 (L)	10,842,534,027 (L)	69.44%
CIMC	Interest of a controlled corporation *(Note 5)*	7,978,941,272 (L)	2,863,592,755 (L)	10,842,534,027 (L)	69.44%
Fengqiang Holdings Limited ("**Fengqiang**")	Beneficial owner	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693 (L)	16.76%
Fengqiang Hong Kong Co., Limited ("**Fengqiang HK**")	Interest of a controlled corporation *(Note 6)*	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693 (L)	16.76%
Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司) ("**TGM**")	Interest of a controlled corporation *(Note 6)*	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693 (L)	16.76%

Name of shareholder	Nature of interest	Number of Shares interested (other than under equity derivatives) *(Note 11)*	Number of Shares interested under equity derivatives *(Note 12)*	Total number of Shares underlying Shares under equity derivatives *(Note 12)*	Total interests as percentage of the issued share capital
Genius Earn Limited	Beneficial owner	50,925,000 (L)	–	50,925,000 (L)	0.33%
Lucky Rich Holdings Limited ("**Lucky Rich**")	Beneficial owner	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%
Shanghai Yunrong Investment Centre* (上海蘊融投資中心(有限合夥))	Interest of a controlled corporation *(Note 7)*	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%
Shenzhen Jiuming Investment Consulting Co., Ltd.* (深圳市久名投資諮詢有限公司)	Interest of a controlled corporation *(Note 7)*	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%
Liu Xiaolin	Interest of a controlled corporation *(Note 8)*	1,314,004,470 (L)	277,719,300 (L)	1,591,723,770 (L)	10.19%
Yang Yuan	Interest of Spouse *(Note 9)*	1,380,054,470 (L)	277,719,300 (L)	1,591,723,770 (L)	10.19%
Dazi Dingcheng Capital Investment Co., Ltd.* (達孜縣鼎誠資本投資有限公司)	Interest of a controlled corporation *(Note 10)*	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%
Beijing Zhongrong Dingxin Investment Management Co., Ltd.* (北京中融鼎新投資管理有限公司)	Interest of a controlled corporation *(Note 10)*	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 10)*	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%
Jingwei Textile Machinery Co., Ltd.	Interest of a controlled corporation *(Note 10)*	1,263,079,470 (L)	277,719,300 (L)	1,540,798,770 (L)	9.87%

Notes:

1. The letter "L" denotes a long position in Shares.

2. Cooperatie CIMC U.A. is beneficially interested in the entire share capital of CIMC Top Gear B.V. and is taken to be interested in the 1,223,571,430 shares in which CIMC Top Gear B.V. has declared interest for the purpose of the SFO.

3. CIMC HK and CIMC are beneficially interested in 1% and 99% respectively of the issued share capital of Cooperatie CIMC U.A. and are taken to be interested in the 1,223,571,430 shares in which Cooperatie CIMC U.A. has declared interest for the purpose of the SFO.

4. CIMC HK is beneficially interested in the entire share capital of Sharp Vision and is taken to be interested in the 6,755,369,842 shares and 2,863,592,755 shares interested under equity derivatives in which Sharp Vision has declared interest for the purpose of the SFO.

5. CIMC is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 7,978,941,272 shares and 2,863,592,755 shares interested under equity derivatives in which CIMC HK has declared interest for the purpose of the SFO.

6. Fengqiang HK is beneficially interested in the entire share capital of Fengqiang and is deemed or taken to be interested in the 2,290,956,291 shares and 325,795,402 shares interested under equity derivatives in which Fengqiang has declared an interest for the purpose of the SFO. TGM is beneficially interested in the entire share capital of Fengqiang HK and is deemed or taken to be interested in the 2,290,956,291 shares and 325,795,402 shares interested under equity derivatives in which Fengqiang HK has declared an interest for the purpose of the SFO.

7. Shanghai Yunrong Investment Centre is beneficially interested in the entire share capital of Lucky Rich and is deemed or taken to be interested in the 1,263,079,470 shares and 277,719,300 shares interested under equity derivatives in which Lucky Rich has declared an interest for the purpose of SFO. Shenzhen Jiuming Investment Consulting Co., Ltd. is beneficially interested in 0.2% of Shanghai Yunrong Investment Centre.

8. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 50,925,000 shares in which Genius Earn Ltd. has declared an interest for the purpose of the SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming Investment Consulting Co., Ltd.

9. Ms. Yang Yuan is the spouse of Mr. Liu Xiaolin. Ms. Yang Yuan is taken to be interested in the shares in which Mr. Liu Xiaolin has declared interest for the purpose of the SFO.

10. Dazi Dingcheng Capital Investment Co., Ltd. is beneficially interested in 0.2% of the issued share capital of Shanghai Yunrong Investment Centre. Beijing Zhongrong Dingxin Investment Management Co., Ltd. is beneficially interested in the entire issued share capital of Dazi Dingcheng Capital Investment Co., Ltd. and is beneficially interested in 88.5% of the issued share capital of Shanghai Yunrong Investment Centre. Zhongrong International Trust Co., Ltd. is beneficially interested in the entire issued share capital of Beijing Zhongrong Dingxin Investment Management Co., Ltd. Jingwei Textile Machinery Co., Ltd. is beneficially interested in 37.47% of the issued share capital of Zhongrong International Trust Co., Ltd.

11. The number of shares represents the number of shares held in the issued share capital of the Company at the Latest Practicable Date.

12. The number of shares represents the number of shares would be held if the outstanding convertible bonds held had been fully converted.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with the any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 December 2018 (the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. LITIGATION

Property damage compensation dispute

A subsidiary of the Company filed a lawsuit in July 2018 against the China Railway 22th Bureau and the Shenzhen Metro Group for the loss and damages to the properties of the Group's factory in Shenzhen due to the sedimentation caused by the subway construction in relation to the Shenzhen International Convention and Exhibition Centre project. The subsidiary claimed for compensation in the amount of RMB170,147,725.39. The first court hearing was held in the court of first instance in September 2018. Assessment and evaluation on recovery plans by specialists are being conducted. No judgment has been delivered by the court as at the Latest Practicable Date.

Investment dispute

A subsidiary of the Company, as plaintiff, filed a written administrative accusation* (行政起訴狀) on 30 December 2018 against the Fujian Province Longyan City Housing and Urban Construction Bureau* (福建省龍岩市住房和城鄉建設局), as defendant, pursuant to which, the plaintiff petition for an official termination of the contract with the Fujian Province Longyan City Housing and Urban Construction Bureau* (福建省龍岩市住房和城鄉建設局) for the construction of public car parks on the basis that the contract is unfulfillable and for a compensation of approximately RMB26.8 million for the losses and damages suffered. The court decreed on 30 September 2019 that the contract concerned be terminated and the plaintiff be awarded compensation for loss of approximately RMB7.4 million and interests on the compensation up to the date of settlement. The defendant has filed an appeal in October 2019 and the appeal hearing is yet to be scheduled.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who have given opinions, letter or advice included in this circular (collectively, the "**Experts**"):

Name	Qualifications
Hologram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
KPMG	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of the Experts has given and has not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters/reports or their respective names in the form and context in which they respective appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) an equity transfer agreement dated 4 December 2017 entered into between Wang Sing and Lucky Rich in relation to the acquisition by Wang Sing of 30% of the equity interests of Shengzhen Tianda Airport Support held by Lucky Rich at the consideration of RMB610,553,589;

(b) a sale and purchase agreement dated 4 December 2017 entered into by and among Wang Sing, the Company, Sharp Vision and Fengqiang in relation to the acquisition by Wang Sing of 383,064,391 ordinary shares of Pteris held by Sharp Vision and Fengqiang (representing approximately 99.41% of the issued share capital of Pteris) at the consideration of RMB3,806,530,716;

(c) a subscription agreement dated 6 February 2018 entered into between the Company and State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership)* (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in relation to the subscription of 673,225,000 new shares of the Company to be issued and allotted at the subscription price of HK$0.366 per share;

(d) an agreement dated 20 July 2018 entered into by and among CIMC, Shenzhen Southern CIMC Containers Manufacture Co., Ltd.* (深圳南方中集集裝箱製造有限公司), TianDa, CIMC Enric (Jingmen) Energy Equipment Company Limited* (中集安瑞科(荊門)能源裝備有限公司) and CIMC Modern Logistics Development Co., Ltd.* (中集現代物流發展有限公司) in relation to the subscription for registered capital of RMB97,000,000 of CIMC Finance Company Limited by Shenzhen Tianda Airport Support at the consideration of RMB149,995,328.18;

(e) an equity transfer agreement dated 20 July 2018 entered into between the Allied Best and CIMC TianDa (Shenzhen) in relation to the acquisition by Allied Best of 10% of the equity interests in Huijie from CIMC TianDa (Shenzhen) at nil consideration and to assume the obligation of CIMC TianDa (Shenzhen) to contribute RMB10,000,000 to the registered capital of Huijie;

(f) the equity transfer agreement dated 31 July 2018 entered into among Allied Best, Shenyang Jietong Vendors and Shenyang Jietong in relation to the acquisition by Allied Best of 60% equity interests in Shenyang Jietong from Shenyang Jietong Vendors at the consideration of RMB600,000,000;

(g) an equity transfer agreement dated 28 August 2018 entered into between Allied Best and CIMC TianDa (Shenzhen) in respect of the acquisition by Allied Best of 5% of the equity interests in Tongchuang from CIMC TianDa at nil consideration and to assume the obligation of CIMC TianDa (Shenzhen)to contribute RMB10,000,000 to the registered capital of Tongchuang;

(h) an equity transfer agreement dated 19 October 2018 entered into by and among Allied Best, Shanghai Jindun Fire-Fighting, the Company, Shanghai Jindun and Zhou Xiangyi (周象義) in respect of the acquisition by Allied Best of the entire equity interests in Shanghai Jindun from Shanghai Jindun Fire-Fighting at the consideration of RMB381,800,000;

(i) the supplemental agreement dated 30 November 2018 entered into among Allied Best, Shenyang Jietong Vendors and Shenyang Jietong in relation to the acquisition by Allied Best of 60% equity interests in Shenyang Jietong from Shenyang Jietong Vendors;

(j) the equity transfer agreement dated 21 June 2019 entered into between Allied Best and Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司) in relation to the disposal by Allied Best of 10% of the equity interests in Huijie to Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司) at nil consideration. Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司) was to assume the obligation of Allied Best to contribute RMB10,000,000 to the registered capital of Huijie;

(k) the investment agreement dated 16 July 2019 entered into among Allied Best, CIMC Technology Co., Ltd* (中集技術有限公司), Shenzhen Daohe Venture Capital Partnership Enterprise* (深圳道合創業投資合夥企業), CIMC Finance Leasing Co., Ltd* (中集融資租賃有限公司) and Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司) in relation to the establishment of CIMC Anfang Technology Co., Ltd* (中集安防科技有限公司);

(l) the acting-in-concert agreement dated 16 July 2019 entered into among Allied Best, Shenzhen Daohe Venture Capital Partnership Enterprise* (深圳道合創業投資合夥企業) and Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司) in relation to the voting arrangements in the meetings of the board of directors and shareholders of CIMC Anfang Technology Co., Ltd* (中集安防科技有限公司);

(m) the side letter dated 10 September 2019 entered into among Allied Best, Shanghai Jindun Fire-Fighting, the Company, Shanghai Jindun and Zhou Xiangyi (周象義) in respect of the acquisition by Allied Best of the entire equity interest in Shanghai Jindun from Shanghai Jindun Fire-Fighting; and

(n) the Sale and Purchase Agreement.

10. GENERAL

(a) The secretary of the Company is Ms. Li Ching Wah who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The principal place of business of the Company in Hong Kong is situated at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong.

(d) The Company's share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In the event of any inconsistency, the English texts of the circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday, except public holidays, between the period from the date of this circular up to and including the date of the EGM.

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2018;

(c) the interim report of the Company for the six months ended 30 June 2019;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;

(e) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 17 to 33 of this circular;

(f) the accountants' report of the Ziegler Group, the text of which is set out in Appendix II to this circular;

(g) the accountant's report on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the written consents referred to in paragraph headed "8. Qualification and Consent of Experts" of this appendix;

(i) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix;

(j) a copy of the circular of the Company dated 25 March 2019;

(k) a copy of the circular of the Company dated 24 May 2019; and

(l) this circular.

CIMC-TianDa Holdings Company Limited
中集天達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HERE BY GIVEN that an extraordinary general meeting (the "**EGM**") of CIMC-TianDa Holdings Company Limited (the "**Company**") will be held at Boardroom 5, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 11 December 2019 (Wednesday) at 2:00 p.m., as special business, to consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 26 September 2019 (the "**Sale and Purchase Agreement**", details of which are disclosed in the circular of the Company dated 19 November 2019 (the "**Circular**") entered into between China Fire Safety Enterprise Group Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, as purchaser and CIMC Top Gear B.V. (the "**Vendor**") as vendor, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 60% equity interest in Albert Ziegler GmbH for a consideration of EUR31,470,000 (a copy of the Sale and Purchase Agreement is marked "A" and produced to the meeting and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) any one director of the Company be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such documents for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Sale and Purchase Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole."

By the order of the Board
CIMC-TianDa Holdings Company Limited
Li Ching Wah
Company Secretary

Hong Kong, 19 November 2019

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Units A-B, 16/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

Principal place of business in the PRC:
No. 9 Fuyuan 2nd Road
Fuyong, Baoan District
Shenzhen
PRC

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy needs not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours (i.e. 9 December 2019 at 2:00 p.m.) before the time fixed for holding the EGM or any adjournment thereof (as the case may be).

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he or she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. The voting at the EGM shall be taken by poll.

7. The register of members of the Company will be closed from 6 December 2019 to 11 December 2019 (both days inclusive) for determining Shareholders' entitlement to attend and vote at the EGM, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on 5 December 2019.

As at the date of this notice, the Directors are as follows:

Dr. Li Yin Hui	*Chairman and Non-executive Director*
Mr. Jiang Xiong	*Honorary Chairman and Executive Director*
Mr. Zheng Zu Hua	*Executive Director*
Mr. Luan You Jun	*Executive Director*
Mr. Yu Yu Qun	*Non-executive Director*
Mr. Robert Johnson	*Non-executive Director*
Dr. Loke Yu	*Independent non-executive Director*
Mr. Heng Ja Wei	*Independent non-executive Director*
Mr. Ho Man	*Independent non-executive Director*