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 licensed securities dealer or registered institution 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 (the "**Company**"), you should at once hand this circular to the purchaser or transferee or to the licensed securities dealer or registered institution in securities, bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF 100% OF THE EQUITY INTEREST IN SHANGHAI JINDUN SPECIAL VEHICLE EQUIPMENT CO., LTD. INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on page 9 to 28 of this circular.

A notice convening the EGM of the Company to be held at 3:00 p.m. on 23 April 2019 (Tuesday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours 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 or any adjourned meeting should you so wish.

25 March 2019

CONTENTS

In this circular, the following expressions have the following meaning unless the context requires otherwise:

"2016 Audit Report"	the audit report of the Target Group for the year ended 31 December 2016 prepared in accordance with HKFRSs for inclusion in this circular pursuant to the requirements of the Listing Rules, and issued by a certified public accountant appointed or recognised by CIMC prior to the despatch of this circular;
"2017 Audit Report"	the audit report of the Target Group for the year ended 31 December 2017 prepared in accordance with HKFRSs for inclusion in this circular pursuant to the requirements of the Listing Rules, and issued by a certified public accountant appointed or recognised by CIMC prior to the despatch of this circular;
"2018 Audit Report"	the audit report of the Target Group for the year ended 31 December 2018 to be prepared in accordance with HKFRSs adopted for the preparation of the Company's annual financial statements, and to be issued by a certified public accountant appointed or recognised by CIMC on or before 31 March 2019 or such later date as may be agreed amongst the Parties in writing;
"2019 Audit Report"	the audit report of the Target Group for the year ending 31 December 2019 to be prepared in accordance with HKFRSs adopted for the preparation of the Company's annual financial statements, and to be issued by a certified public accountant appointed or recognised by CIMC on or before 31 March 2020 or such later date as may be agreed amongst the Parties in writing;
"2016 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB34,329,000 as per the 2016 Local Audit Report;
"2017 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB34,496,500 as per the 2017 Local Audit Report;
"2018 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB45,710,000;
"2019 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB45,710,000;
"2018 and 2019 Guaranteed Revenue"	the guaranteed aggregate audited consolidated revenue of RMB700,000,000 of the Target Group for the year ended 31 December 2018 and for the year ending 31 December 2019;

"2016 Local Audit Report"	the audit report of the Target Group for the year ended 31 December 2016 prepared in accordance with PRC GAAP and issued by the auditors of the Target Company;
"2017 Local Audit Report"	the audit report of the Target Group for the year ended 31 December 2017 prepared in accordance with PRC GAAP and issued by the auditors of the Target Company;
"Acquisition"	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement;
"Authority"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Completion" in the letter from the Board as set out in this circular;
"Average Guaranteed Net Profit"	the average of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit and the 2018 Guaranteed Net Profit, which is equivalent to approximately RMB38,179,000;
"Board"	the board of Directors;
"Business Day"	a day which is not a Saturday, Sunday or public holiday designated by the government of the PRC;
"Cash Compensation"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and Cash Compensation" in the letter from the Board as set out in this circular;
"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 company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange (Stock Code: 2039), and a controlling shareholder of the Company holding 51.1% of the Shares as at the date of this circular;
"CIMC Finance"	CIMC Finance Co., Ltd.* (中集集團財務有限公司), a company established in the PRC with limited liability;
"Compensation Notice"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and Cash Compensation" in the letter from the Board as set out in this circular;

"Company"	CIMC-TianDa Holdings Company Limited (中集天達控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445);
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Equity Transfer Agreement;
"connected persons"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration for the Acquisition in the amount of RMB381,800,000 (subject to deductions), comprising cash consideration of RMB229,080,000 (as represented by aggregate of the Prepayment and the First Instalment) and share consideration of RMB152,720,000 (as represented by the aggregate of the Second Instalment and the Remaining Balance to be satisfied by the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares respectively), payable by the Purchaser to the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement;
"Consideration Shares"	the First Batch Consideration Shares and the Second Batch Consideration Shares, each a "Consideration Share";
"Directors"	the Director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 23 April 2019 (Tuesday) at 3:00 p.m. for the purpose of considering and, if thought fit, approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder, and the Special Mandate in relation to the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares pursuant to the terms and conditions of the Equity Transfer Agreement;
"Enlarged Group"	the Group and the Target Group;
"Equity Transfer Agreement"	the equity transfer agreement dated 19 October 2018 entered into among the Purchaser, the Vendor, the Company, the Target Company and Zhou Xiangyi in relation to the Acquisition;
"Fengqiang"	Fengqiang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;

"Filing"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Completion" in the letter from the Board as set out in this circular;
"Financial Compensation"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and Cash Compensation" in the letter from the Board as set out in this circular;
"First Instalment"	the first instalment of the Consideration in the amount of RMB114,540,000 (subject to deductions) payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"First Batch Consideration Shares"	275,782,224 new Shares to be issued by the Company to settle the Second Instalment, which was determined by dividing the amount of the Second Instalment by the Issue Price;
"Group"	the Company and its subsidiaries;
"Guaranteed Net Profit"	the net profit guaranteed by the Vendor to the Purchaser, being the audited consolidated net profit after taxation attributable to holders of the Target Company after excluding income or loss generated by activities outside the ordinary and usual course of the business of the Target Group;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Issue Price"	the issue price of HK$0.3133 per Consideration Share;
"Key Management and Core Personnel"	the key management and core personnel of the Target Company as listed out in the List;
"Latest Practicable Date"	22 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"List"	the list to be determined by the Purchaser identifying the Key Management and Core Personnel which is attached as Annexure 3 to the Equity Transfer Agreement, which can be further amended by the Purchaser subject to due diligence review;

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Lucky Rich"	Lucky Rich Holdings Limited, a company incorporated in Samoa with limited liability;
"Net Profit Shortfall"	for each of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit and the 2019 Guaranteed Net Profit, the difference between such Guaranteed Net Profit and the actual net profit achieved by the Target Group as per the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report and the 2019 Audit Report, respectively;
"Net Profit Shortfall Ratio"	calculated as (1 – A/B) x 100%, where, for each of the 3 years ended 31 December 2016, 2017 and 2018 and the year ending 31 December 2019, (i) "A" represents the actual net profit achieved by the Target Group as per the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report and the 2019 Audit Report respectively; and (ii) "B" represents the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit and the 2019 Guaranteed Net Profit, respectively;
"Party(ies)"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Parties" in the letter from the Board as set out in this circular;
"P/E Ratio"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Consideration – Basis of determining the Consideration" in the letter from the Board as set out in this circular;
"Prepayment"	the refundable prepayment of the Consideration in the amount of RMB114,540,000 payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"PRC GAAP"	generally accepted accounting principles in the PRC;
"Pteris"	Pteris Global Limited, a company incorporated in Singapore with limited liability;

"Pteris Acquisition"	the acquisition of approximately 99.41% of the equity interests in Pteris by Wang Sing from Sharp Vision and Fengqiang pursuant to a sale and purchase agreement dated 4 December 2017 entered into by and among Wang Sing, the Company, Sharp Vision and Fengqiang;
"Pteris Group"	Pteris and its subsidiaries;
"Purchaser"	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 under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"Remaining Balance"	the remaining balance of the Consideration in the amount of RMB76,360,000 (subject to deductions) which shall be settled by the issue of the Second Batch Consideration Shares and payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Interest"	represent 100% of the equity interest directly held by the Vendor in the Target Company as at the date of this circular;
"Second Batch Consideration Shares"	275,782,224 new Shares to be issued by the Company to settle the Remaining Balance, which was determined by dividing the amount of the Remaining Balance by the Issue Price;
"Second Batch Consideration Shares Charge"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Consideration" in the letter from the Board as set out in this circular;
"Second Instalment"	the second instalment of the Consideration in the amount of RMB76,360,000 (subject to deductions) which shall be settled by the issue of the First Batch Consideration Shares and payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shanghai Shundun"	Shanghai Shundun Technology Co., Ltd.* (上海舜盾科技有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company;

"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s) from time to time;
"Share Charge"	the share charge on 25% equity interest in the Target Company held by the Vendor provided in favour of the Qingpu sub-branch of the Shanghai Pudong Development Bank by the Vendor and registered on 20 April 2018;
"Sharp Vision"	Sharp Vision Holdings Limited, a company incorporated in Hong Kong with limited liability;
"Shenyang Jietong"	Shenyang Jietong Fire Truck Co., Ltd.* (瀋陽捷通消防車有限公司), a company established under the laws of the PRC with limited liability;
"Specific Mandate"	a specific mandate to be granted to the Directors in relation to the issue of the Consideration Shares to be approved by the Shareholders at the EGM;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Shanghai Jindun Special Vehicle Equipment Co., Ltd.* (上海金盾特種車輛裝備有限公司);
"Target Group"	the Target Company and Shanghai Shundun;
"TianDa"	Shenzhen CIMC-TianDa Airport Support Limited* (深圳中集天達空港設備有限公司), a company established in the PRC with limited liability;
"TianDa Acquisition"	the acquisition of 30% equity interests in TianDa by Wang Sing from Lucky Rich pursuant to a sale and purchase agreement dated 4 December 2017 entered into between Wang Sing and Lucky Rich;
"TianDa Group"	TianDa and its subsidiaries;
"TGM"	Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司), a company established in the PRC with limited liability;
"Vendor"	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 and is jointly owned by Zhou Xiangyi and Zhou Guodong;

"VWAP"	volume weighted average price which is calculated by dividing the daily turnover of the Shares by the daily trading volume of the Shares;
"Wang Sing"	Wang Sing Technology Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company;
"Zhou Guodong"	Zhou Guodong* (周國棟) who indirectly holds 19% equity interest in the Target Company as at the date of this circular;
"Zhou Xiangyi"	Zhou Xiangyi* (周象義) who indirectly holds 81% equity interest in the Target Company and the *de facto* controller of the Target Company as at the date of this circular;
"Ziegler"	Albert Ziegler GmbH, a company incorporated in Germany with limited liability; and
"%"	per cent.

* *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, 16th Floor
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

25 March 2019

To the Shareholders

Dear Sirs or Madams,

**(1) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
ACQUISITION OF 100% OF THE EQUITY INTEREST IN
SHANGHAI JINDUN SPECIAL VEHICLE EQUIPMENT CO., LTD.
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company on 19 October 2018 and 30 January 2019 in relation to, *inter-alia*, the Acquisition.

The Board announced that on 19 October 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor, the Company, the Target Company and Zhou Xiangyi entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, at the Consideration of RMB381,800,000 (subject to deductions), pursuant to the terms and conditions of the Equity Transfer Agreement. Upon Completion, the Purchaser shall hold the entire equity interest in the Target Company.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; and (ii) the notice convening the EGM approving the Acquisition.

2. THE ACQUISITION

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as follows:

Date

19 October 2018 (after trading hours)

Parties

(a) the Purchaser;

(b) the Vendor;

(c) the Company;

(d) the Target Company; and

(e) Zhou Xiangyi.

(Each a "**Party**" and collectively the "**Parties**")

Further information about these parties is set out in the section headed "Information Relating to the Parties to the Equity Transfer Agreement" below.

Subject matter

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, representing 100% of the equity interest in the Target Company, subject to the terms and conditions of the Equity Transfer Agreement.

The Parties agree that the registered capital of the Target Company shall remain at RMB83,330,000 upon Completion.

Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Acquisition is RMB381,800,000 (subject to deductions) with reference to the Average Guaranteed Net Profit and a price to earnings ratio ("**P/E Ratio**") of approximately 10 times. The Consideration shall be payable by the Purchaser to the Vendor in the following manner:

(i) the Prepayment, being the amount of RMB114,540,000 or 30% of the Consideration, shall be payable within 15 Business Days after the execution of the Equity Transfer Agreement. The Vendor undertakes to, prior to Completion, apply the Prepayment to (a) the repayment of a bank loan granted to the Vendor by the Qingpu sub-branch of the Shanghai Pudong Development Bank for the purpose of acquiring 25% equity interest in the Target Company by the Vendor from the non-controlling shareholder in May 2017; and (b) the release of the Share Charge created as the security for such bank loan. The Prepayment shall be refunded by the Vendor to the Purchaser within 10 Business Days upon written notice of the Purchaser issued within 30 Business Days from the termination of the Equity Transfer Agreement if the Equity Transfer Agreement is not completed due to the non-fulfilment of any of the conditions precedent set out in the Equity Transfer Agreement (including but not limited to the failure of the Vendor to release the Share Charge prior to Completion);

(ii) subject to deductions in accordance with the mechanism set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below, the First Instalment, being the amount of RMB114,540,000 (subject to deductions) or 30% of the Consideration, shall be payable upon the satisfaction of the conditions precedent and within 15 Business Days after completion of the change of industry and commerce registration in respect of the Sale Interest. Once the First Instalment is fully settled by the Purchaser, the amount of the Prepayment shall automatically form part of the Consideration (but not part of the First Instalment) and the Purchaser shall be deemed to have settled 60% of the Consideration (subject to the Financial Compensation as set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below);

(iii) subject to deductions in accordance with the mechanism set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below, the Second Instalment, being the amount of RMB76,360,000 (subject to deductions) or 20% of the Consideration, shall be payable by the Purchaser by the issue of the First Batch Consideration Shares within 30 Business Days upon the completion of the change of industry and commerce registration in respect of the Sale Interest. If the First Batch Consideration Shares are not issued due to the requirements of regulatory authorities or other legal or regulatory restrictions, subject to the consent of the Vendor, the Purchaser or other third parties designated by the Purchaser shall pay the Second Instalment in cash to the Vendor; and

(iv) subject to deductions in accordance with the mechanism set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below, the Remaining Balance, being the amount of RMB76,360,000 (subject to deductions) or 20% of the Consideration, shall be payable by the Purchaser by the issue of the Second Batch Consideration Shares within 30 Business Days upon the issue of the 2018 Audit Report. If the Second Batch Consideration Shares are not issued due to the requirements of regulatory authorities or other legal or regulatory restrictions, subject to the consent of the Vendor, the Purchaser or other third parties designated by the Purchaser shall pay the Remaining Balance in cash to the Vendor.

The Purchaser paid the Prepayment, being RMB114,540,000, to the Vendor in two instalments on 7 November 2018 and 14 November 2018, respectively. The Vendor had the Share Charge released on 10 December 2018 after the repayment of the related bank loan granted to the Vendor by the Qingpu sub-branch of the Shanghai Pudong Development Bank.

The Vendor undertakes to charge the Second Batch Consideration Shares in favour of the Purchaser or any affiliate designated by the Purchaser (the "**Second Batch Consideration Shares Charge**") within 7 Business Days after the payment of the Remaining Balance as the security for the Vendor's guarantee on the financial performance of the Target Company for the year ending 31 December 2019 as set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below.

If the 2019 Guaranteed Net Profit is achieved, the Purchaser shall release the Second Batch Consideration Shares Charge within 30 Business Days after the 2019 Audit Report is issued. If the 2019 Guaranteed Net Profit is not achieved, the Purchaser shall release the Second Batch Consideration Shares Charge within 30 Business Days after the Vendor has complied with its obligations to make the Financial Compensation and if required, any cash compensation to the Purchaser as set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation".

Basis of determining the Issue Price and the number of the Consideration Shares

According to the Equity Transfer Agreement, the Issue Price shall represent the average VWAP of the Shares for the 120 trading days preceding the signing date of the Equity Transfer Agreement, subject to a 5% discount if the aforementioned average VWAP is higher than the closing price of the Shares on the signing date of the Equity Transfer Agreement (or the trading day immediately preceding the signing date of the Equity Transfer Agreement if the latter is not a trading day, as applicable), based on the central parity rate published by The People's Bank of China for the conversion of RMB to HK$ on the date before the signing date of the Equity Transfer Agreement. Accordingly, the Issue Price is HK$0.3133 which represents:

(i) a premium of 20.5% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the date of the Equity Transfer Agreement;

(ii) a premium of 26.3% to the closing price of HK$0.248 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iii) a premium of approximately 21.9% to the average of the closing price of HK$0.257 per Share as quoted on the Stock Exchange for the 5 trading days immediately prior to the date of the Equity Transfer Agreement.

Assuming no deductions will be made to the Consideration, the Consideration Shares with a nominal value of HK$0.01 each represent approximately 3.8% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 3.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Acquisition will not result in a change of control of the Company. The Consideration Shares will be issued under the Specific Mandate. The Consideration Shares shall rank *pari passu* in all respects among themselves and with the existing issued Shares on the date of allotment. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Shareholding Structure of the Company

As at the Latest Practicable Date, the authorized share capital of the Company is HK$500,000,000 divided into 50,000,000,000 shares of HK$0.01 each, of which 14,471,904,470 Shares have been issued and were fully paid.

The following table sets out the shareholding structure of the Company before and after the issue of the Consideration Shares (assuming that there is no other change in the shareholding structure of the Company):

	Immediately before the issue of the Consideration Shares		Immediately after the issue of the Consideration Shares	
	Number of issued Shares	**Approximate shareholding ratio**	**Number of issued Shares**	**Approximate shareholding ratio**
Non-public shareholders				
CIMC Top Gear B.V.	1,223,571,430	8.5%	1,223,571,430	8.1%
Sharp Vision Holdings Limited	6,164,472,279	42.6%	6,164,472,279	41.0%
Fengqiang Holdings Limited	2,290,956,291	15.8%	2,290,956,291	15.3%
Jiang Xiong	981,600,000	6.8%	981,600,000	6.5%
Sub-total	*10,660,600,000*	*73.7%*	*10,660,600,000*	*70.9%*
Public Shareholders				
Vendor	–	–	551,564,448	3.7%
Other Public Shareholders	3,811,304,470	26.3%	3,811,304,470	25.4%
Sub-total	*3,811,304,470*	*26.3%*	*4,362,868,918*	*29.1%*
	14,471,904,470	**100%**	**15,023,468,918**	**100%**

Performance guarantee, Financial Compensation and cash compensation

Pursuant to the Equity Transfer Agreement, the Vendor warrants to the Purchaser that the Target Group shall achieve the following financial performance:

(i) the 2016 Guaranteed Net Profit shall be no less than RMB34,329,000;

(ii) the 2017 Guaranteed Net Profit shall be no less than RMB34,496,500;

(iii) the 2018 Guaranteed Net Profit shall be no less than RMB45,710,000;

(iv) the 2019 Guaranteed Net Profit shall be no less than RMB45,710,000; and

(v) the 2018 and 2019 Guaranteed Revenue shall be no less than RMB700,000,000.

The Vendor shall make financial compensation to the Purchaser (the "**Financial Compensation**") in the following circumstances:

(i) In the event that any of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit or the 2018 Guaranteed Net Profit is not achieved:

(a) if the Net Profit Shortfall Ratio is equal to or below 15%, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 3 times of the amount of the Net Profit Shortfall;

(b) if the Net Profit Shortfall Ratio is above 15% but below 25%, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 3.5 times of the amount of the Net Profit Shortfall; and

(c) if the Net Profit Shortfall Ratio is equal to or above 25%, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 5.5 times of the amount of the Net Profit Shortfall.

(ii) In the event that the 2019 Guaranteed Net Profit is not achieved, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 2 times of the amount of the Net Profit Shortfall.

(iii) In the event that 2018 and 2019 Guaranteed Revenue is less than RMB700,000,000, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 10% of the shortfall between (a) the actual aggregate audited consolidated revenue achieved by the Target Group for the year ended 31 December 2018 and the year ending 31 December 2019 as per the 2018 Audit Report and the 2019 Audit Report respectively and (b) the 2018 and 2019 Guaranteed Revenue.

(iv) The abovementioned Financial Compensation in respect of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit and the 2018 Guaranteed Net Profit shall be deducted directly from the First Instalment, the Second Instalment and/or Remaining Balance, as applicable, payable by the Purchaser to the Vendor. In the event that the First Instalment, the Second Instalment and/or Remaining Balance is insufficient for the deduction of the Financial Compensation, the Vendor shall pay the amount representing the excess of the Financial Compensation over the First Instalment, the Second Instalment and/or the Remaining Balance to the Purchaser in cash.

(v) The Purchaser shall issue a notice to the Vendor regarding the amount of Financial Compensation and if required, the amount of cash compensation payable by the Vendor to the Purchaser within 5 Business Days after the issue of each of the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report and the 2019 Audit Report. Any deduction of Financial Compensation from the First Instalment, the Second Instalment and/or Remaining Balance, as applicable, shall be made within 10 Business Days after the issue of the Compensation Notice. Any cash compensation payable by the Vendor to the Purchaser, shall be paid within 10 Business Days after the issue of the Compensation Notice.

Basis of determining the Consideration

The Consideration of RMB381,800,000 was determined after arm's length negotiations between the Group and the Vendor on normal commercial terms and based on (i) the Average Guaranteed Net Profit and a P/E Ratio of approximately 10 times which was determined with reference to the P/E Ratios of approximately 12 times to 33 times and an average P/E Ratio of approximately 25 times of a number of comparable companies listed in the PRC and other stock exchanges after considering, amongst others, their sizes, business activities and financial positions; (ii) the business development and prospects of the Target Group; (iii) the performance guarantee and Financial Compensation disclosed above; and (iv) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" below.

The Consideration represents a premium of approximately 2.22 times over the audited net asset value of the Target Group of approximately RMB118,376,000 as at 31 December 2017 in accordance with the 2017 Local Audit Report. In determining the Consideration, the Group has primarily taken into account the long-term profitability and development capability of the Target Group and its ability to fit into the Group's development strategy. The composition and value of the net assets of the Target Group were taken only as a measurement of its scale of operation and short-term financial stability.

The Consideration will be financed by the internal resources of the Group and external financing.

Reasons for using the Average Guaranteed Net Profit in determining the Consideration

The Average Guaranteed Net Profit is the average of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit and the 2018 Guaranteed Net Profit.

The Group considers that the Average Guaranteed Net Profit, instead of the net profit for a single financial year, is a more appropriate measure for determining the Consideration since the Average Guaranteed Net Profit would average out the effect of factors that may have on a particular financial year and give a clearer indication of the financial strength of the Target Group.

According to the Equity Transfer Agreement, the 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit are the profits after taxation as per the 2016 Local Audit Report and the 2017 Local Audit Report respectively, and the validity and reasonableness of which are in turn substantiated by the 2016 Audit Report and the 2017 Audit Report, respectively, prepared by an independent auditor engaged by the Group. Any shortfall in the profit after taxation between 2016 Local Audit Report and the 2016 Audit Report and between the 2017 Local Audit Report and the 2017 Audit Report will be compensated by the Vendor in accordance with the mechanism detailed in this section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" above.

Based on the 2016 Audit Report and the 2017 Audit Report, the actual net profit of the Target Group for the financial years ended 31 December 2016 and 31 December 2017 amounted to RMB38,001,000 and RMB35,696,000 respectively, which exceeded the 2016 Guaranteed Net Profit and 2017 Guaranteed Net Profit of RMB34,329,000 and RMB34,496,500 respectively. Therefore, the 2016 Guaranteed Net Profit and 2017 Guaranteed Net Profit have been fulfilled.

As regards the 2018 Guaranteed Net Profit, after commercial negotiations with the Vendor, the Company has agreed to include the 2018 Guaranteed Net Profit in calculating the Consideration having regard to the P/E Ratio of approximately 10 times which represented a significant discount to the average P/E Ratio of approximately 25 times of the comparable companies. In addition, while the inclusion of the 2018 Guaranteed Net Profit has raised the Average Guaranteed Net Profit and hence the Consideration, the Group will be financially compensated by the Financial Compensation should the Target Group fail to achieve the 2018 Guaranteed Net Profit. The Remaining Balance will be deducted by the Financial Compensation and in the event that the Remaining Balance is insufficient for the deduction, the Vendor shall pay cash compensation representing the excess of the Financial Compensation over the Remaining Balance to the Purchaser. The Company therefore considers that the mechanism in determining the Average Net Profit and its connection with the Financial Compensation ensure that the Group's financial interest is not jeopardised on one hand and the commercial benefits of the Acquisition to the Parties are taken into account on the other hand.

Basis of determining the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue

The 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue were determined after arm's length negotiations between the Group and the Vendor with reference to the historical financial performance, business prospects and the order book of the Target Group.

In determining the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue at the time of entering into the Equity Transfer Agreement, the Company has taken into account the fact that the business of the Target Group (and the fire engines industry in general) is seasonal in nature with a lower level of sales around the Lunar Chinese New Year holidays and during the summer holidays. Invitations to tenders for fire engines and related products are normally sent by potential customers and orders placed by them in the first half of a year, and taking into consideration the production schedule, the last quarter of a year is usually the peak sale season of the Target Group. In any circumstances, the consideration deduction mechanism under the Equity Transfer Agreement will effectively reduce the Consideration in the event of any shortfall in the 2018 Guaranteed Net Profit. It also provides extra protection to the Group against the risk of the Target Group not sustaining its business growth and financial performance.

As shown in the management accounts of the Target Group for the year ended 31 December 2018, the unaudited revenue and profit after tax of the Target Group were approximately RMB349,839,000 and approximately RMB49,953,000 respectively. The unaudited profit after tax of the Target Group has exceeded the 2018 Guaranteed Net Profit. However, the Financial Compensation in respect of the 2018 Guaranteed Net Profit, if any, is subject to the audited profit after tax of the Target Group as per the 2018 Audit Report.

For the sole purpose of preparing the unaudited pro forma financial information of the Enlarged Group as required under the Listing Rules, an estimated Financial Compensation of RMB2,302,000 in cash from the Vendor in respect of the 2019 Guaranteed Net Profit and 2018 and 2019 Guaranteed Revenue was made as part of the valuation of the fair value of the total Consideration. The details of the aforementioned valuation has been set out in Appendix III to this circular. The estimated Financial Compensation was made for valuation purpose only and the Board considers that it is premature to estimate whether the 2019 Guaranteed Net Profit and 2018 and 2019 Guaranteed Revenue could be met at this stage, which are subject to the 2018 Audit Report and the 2019 Audit Report. Therefore, notwithstanding the aforementioned Financial Compensation, which was made solely for the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, after taking into account the factors set out in this section headed "The Equity Transfer Agreement - Performance Guarantee, Financial Compensation and cash compensation", the Board is of the view that the Consideration is fair and reasonable.

Basis of determining the Financial Compensation and the relationship of the Financial Compensation with the Average Guaranteed Net Profit and the Consideration

In determining the multiples of (i) 3 times of the Net Profit Shortfall if the Net Profit Shortfall Ratio is equal to or below 15%; (ii) 3.5 times of the Net Profit Shortfall if the Net Profit Shortfall Ratio is above 15% but below 25%; and (iii) 5.5 times of the Net Profit Shortfall if the Net Profit Shortfall Ratio is equal to or above 25% in respect of the 3 years ended 31 December 2018, the Parties have taken into account the fact that the Consideration is calculated by multiplying a P/E Ratio of approximately 10 times with the Average Guaranteed Net Profit. On this basis, the Company is of the view that it is fair and reasonable to determine the total Financial Compensation by applying a multiplier of 3 times to 5.5 times to the Net Profit Shortfall for each of these 3 years ending 31 December 2018 for the purpose of calculating the Financial Compensation.

In determining the multiples of approximately 3 times to 5.5 times above and the mechanism of the Financial Compensation, the Company has also taken into account:

(i) the structure of the Consideration involving payments by instalments (subject to deduction of the amount of the Financial Compensation, if any, at each stage) with regard to the intended purposes of each of the Vendor and the Purchaser; and

(ii) the additional safeguards given to the Group by virtue of (a) the multiple of 2 times of the amount of the Net Profit Shortfall in respect of the 2019 Guaranteed Net Profit, as further elaborated below; (b) the Financial Compensation representing 10% of the shortfall in the 2018 and 2019 Guaranteed Revenue, as further elaborated below; and (c) the fact that if the Net Profit Shortfall Ratio is equal to or above 25%, the considerably higher multiple of 5.5 times of the Net Profit Shortfall used to determine the Financial Compensation for each of the 3 years ended 31 December 2018, which the Company considers will serve to maximise the protection afforded to the Group.

The multiple of 2 times of the amount of the Net Profit Shortfall in respect of the 2019 Guaranteed Net Profit and the cash compensation representing 10% of the shortfall in the 2018 and 2019 Guaranteed Revenue, which are comparatively lower than the aforementioned multiples in respect of the Financial Compensation for each of the 3 years ended 31 December 2018, are determined after arm's length negotiations amongst the Parties taking into account (i) the fact that the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue are not used in determining the Average Guaranteed Net Profit and hence the P/E Ratio of 10 times used in calculating the Consideration; and (ii) the closer involvement of the Group in the management of the Target Group commencing 2019 after Completion and the retention of Zhou Xiangyi to lead the management of Target Group to ensure that the Target Group will achieve steady growth in revenue and profitability in 2019.

In light of the above, the Board is of the view that the bases in determining the Consideration and the multipliers used in calculating the Financial Compensation are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The 2016 Local Audit Report, the 2017 Local Audit Report, the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report and the 2019 Audit Report

The 2016 Guaranteed Net Profit represents the net profit after taxation of approximately RMB34,329,000 of the Target Company as per the 2016 Local Audit Report whilst the 2017 Guaranteed Net Profit represents the net profit after taxation of approximately RMB34,496,500 of the Target Company as per the 2017 Local Audit Report.

The 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit, which form part of the performance guarantee, ensure that the Group is financially compensated for any shortfall in the net profit of the Target Group between each of (i) the 2016 Local Audit Report and the 2016 Audit Report and (ii) the 2017 Local Audit Report and the 2017 Audit Report respectively.

As at the date of this circular, the 2016 Local Audit Report and the 2017 Local Audit Report have been made available to the Purchaser and the 2016 Audit Report and the 2017 Audit Report have been included in the Accountant's Report on the Target Group set out in Appendix II to this circular.

According to the Equity Transfer Agreement, the 2018 Audit Report and the 2019 Audit Report shall be issued on or before, respectively, 31 March 2019 and 31 March 2020, or such other dates agreed amongst the Parties in writing.

The 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit, the Average Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue do not represent the anticipated level of future profit and revenue of the Target Group and do not constitute a profit forecast under Rule 14.61 of the Listing Rules.

The Company will make further announcements on whether the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue are met as and when appropriate.

Conditions precedent

Completion shall be subject to the satisfaction of the following conditions:

(i) the Parties having agreed and formally signed the Equity Transfer Agreement, including the annexures attached thereof;

(ii) the Target Company and the Vendor having in written form, fully, truthfully and completely disclosed the assets, liabilities, capital, guarantees and all information relating to the Equity Transfer Agreement to the Company during the due diligence review arranged by the Purchaser and that no material defects in the assets of the Target Company have been identified. As of the date of signing of the Equity Transfer Agreement, the Target Company and its subsidiaries, as continuously operating entities have not conducted and cannot conduct any acts that substantially violate any laws or regulations;

(iii) the Purchaser having completed and approved all the business, financial and legal due diligence conducted against the Target Company and being satisfied with the results of the due diligence review;

(iv) the Target Company having obtained all the relevant internal and shareholders' consents and approvals, including but not limited to the directors' and shareholder's resolutions approving the equity transfer in accordance with the Equity Transfer Agreement and the signing of the amended articles of association by its shareholders;

(v) the Purchaser and the Company having completed all internal approval procedures related to the Acquisition (including but not limited to the approval from the shareholders and/or the board of directors);

(vi) the Target Company having obtained the approvals from the relevant government departments (including but not limited to the approval from the business management department (if required)) and the Purchaser having obtained the necessary approvals (if applicable) from the PRC government;

(vii) the Key Management and Core Personnel as referred to in the List having signed relevant employment, confidentiality, non-competition and intellectual property right agreements etc. with the Target Company and the contents of the agreements having been approved by the Purchaser;

(viii) the Vendor having completed the procedures to release the Share Charge in relation to 25% of the Sale Interest with the industry and commerce registration department of PRC within 45 Business Days after the Purchaser having paid the Prepayment in accordance with the Equity Transfer Agreement;

(ix) the Purchaser and the Vendor having signed the Equity Transfer Agreement and all other necessary documents (including but not limited to the Equity Transfer Agreement and the amended articles of association of the Target Company), and the Purchaser having obtained the relevant documents for the appointment of directors, supervisors and senior managements of the Target Company as nominated by the Purchaser, and having completed the industrial and commercial registration of the Acquisition; and

(x) there is no material adverse change in the period between signing of the Equity Transfer Agreement and the completion of the change of industry and commerce registration of the Acquisition in accordance with the Equity Transfer Agreement.

All of the above conditions precedent, except condition (v), can be waived by the Purchaser.

As at the Latest Practicable Date, conditions (i), (ii), (iii), (iv) and (viii) have been satisfied.

Regarding condition (vii), the Key Management and Core Personnel as referred to in the List are employees of the Target Group including Mr. Zhou Xiangyi and Mr. Zhou Guodong, who are senior management responsible for different functions of the Target Group including production, sales and finance and administration etc., and who in the opinion of the Group are essential to the operation of the Target Group.

While the conditions precedent are an essential part of the Equity Transfer Agreement, the Company considers that it is desirable for the Purchaser to retain the discretion and flexibility to waive any of the conditions precedent (except condition (v) as it is the obligation of each of the Purchaser and the Company to complete all internal approval procedures related to the Acquisition and therefore this should be a pre-requisite to the Completion) in order to proceed to Completion in a timely manner that is commercially beneficial to the Parties, so long as the exercise of such discretion does not affect the substantive terms of the Acquisition and the waiver of any conditions precedent is in the interest of the Group and the Shareholders as a whole. Notwithstanding this, as at the Latest Practicable Date, the Purchaser had no present intention to waive any of the conditions precedent.

Completion

Completion will take place on the date of the completion of the relevant industry and commerce registration for the change of shareholder of the Target Company from the Vendor to the Purchaser with the relevant business registration authority in the PRC and after the above conditions precedent are satisfied or waived.

The Target Company currently possesses the Scientific Research and Production of Arms and Equipment Permit (武器裝備科研生產許可) and the Equipment Production Entity Permit (裝備承製單位許可證) and it is therefore regarded as a military enterprise (涉軍企業). As advised by the PRC lawyers of the Company, under the PRC laws, pursuant to the Temporary Provisions on the Reorganization and Listing of Military Related Enterprises and the Examination of Capital Operation in Military Projects After Listing (《涉軍企事業單位改制重組上市及上市後資本運作軍工事項審查工作管理暫行辦法》(科工計[2016] 209號)), the Target Group is required to make a filing about the change in its shareholdings of a military enterprise as a result of the Acquisition (the "**Filing**") to the State Administration of Science, Technology and Industry for National Defence (國防科工局) (the "**Authority**"). On 28 November 2018, the Target Group made the Filing to the Authority which has confirmed that the process of reviewing the Filing shall commence after the Completion. On this basis, the review of the Filing by the Authority is not included in condition (vi) of the conditions precedent set out above.

Updates on the Completion and the status and outcome of the review of the Filing by the Authority will be made by the Company in announcements and/or interim and annual reports of the Company as and when appropriate. The Company will, subject to prevailing PRC regulatory requirements on military products, comply with the ongoing disclosure obligations under the Listing Rules regarding the manufacture of military products after Completion.

Dividend distribution

Pursuant to the Equity Transfer Agreement, the Vendor is entitled to distribution of dividends of not more than RMB10,000,000 out of the audited accumulated undistributed profits of the Target Group prior to Completion. The Purchaser shall have full entitlements to the remaining undistributed profits of the Target Group after Completion. The Target Company declared and recorded a dividend payable to the Vendor of RMB10,000,000 in October 2018.

After the payment of the abovementioned dividend to the Vendor, it is not entitled to any further distribution of the Target Company.

Performance bonus for the management team of the Target Company

If the net profit of the Target Group for the year ending 31 December 2019 exceeds RMB45,710,000, the Purchaser and the Target Company will distribute 30% of the excess amount to the management team of the Target Company.

Vendor's liability for breach of contract

Where the Vendor breaches any representations or warranties, or fails to perform any obligations pursuant to the Equity Transfer Agreement, the Purchaser shall be entitled to the following rights:

(i) the right to notify the Vendor in writing to terminate the Equity Transfer Agreement, which shall be automatically terminated from the date of delivery of such notification to the Vendor. Where the Purchaser terminates the Equity Transfer Agreement, the Purchaser has the right to request the Vendor to return the Consideration paid together with a liquidated damage of 10% of the total Consideration. Where the liquidated damage is insufficient to cover the actual losses suffered by the Purchaser due to the termination of the Equity Transfer Agreement, the Vendor shall also compensate the Purchaser for the remaining part of such losses; or

(ii) the right to notify the Vendor to rectify the breach within 30 Business Days (or any other period mutually agreed by the Vendor and the Purchaser) and to pay the Purchaser a liquidated damage of 5% of the total Consideration. Where the liquidated damage is insufficient to compensate the actual losses suffered by the Purchaser, the Vendor shall also compensate the Purchaser for the remaining part of such losses. The Purchaser shall also be entitled to reduce or suspend the payment of the unpaid Consideration, if any, until the Vendor has rectified the breach.

Purchaser's liability for breach of contract

Where the Purchaser breaches any representations or warranties, or fails to perform any obligations pursuant to the Equity Transfer Agreement, the Vendor shall be entitled to the following rights:

(i) the right to notify the Purchaser in writing to terminate the Equity Transfer Agreement, which shall be automatically terminated from the date of delivery of such notification to the Purchaser. Where the Vendor terminates the Equity Transfer Agreement, the Vendor has the right to request the Purchaser to pay a liquidated damage of 10% of the total Consideration. Where the liquidated damage is insufficient to cover the actual losses suffered by the Vendor due to the termination of the Equity Transfer Agreement, the Purchaser shall also compensate the Vendor for the remaining part of such losses; or

(ii) the right to notify the Purchaser to rectify the breach within 30 Business Days (or any other period mutually agreed by the Vendor and the Purchaser) and to pay the Vendor a liquidated damage of 5% of the total Consideration. Where the liquidated damage is insufficient to compensate the actual losses suffered by the Vendor, the Purchaser shall also compensate the Vendor for the remaining part of such losses. The Vendor shall also be entitled to suspend the completion of the Acquisition until the Purchaser has rectified the breach.

3. INFORMATION ON THE RELEVANT PARTIES

Information on the Target Group

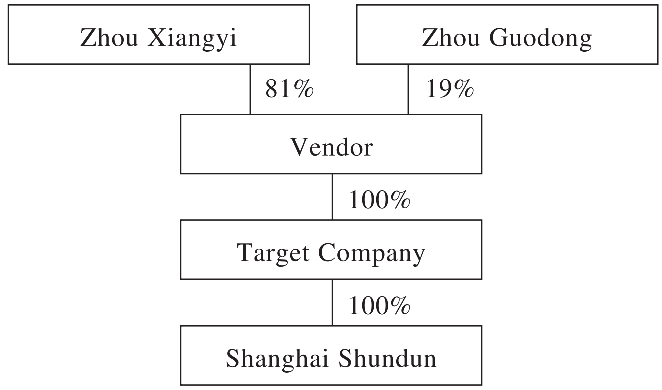
As at the Latest Practicable Date, the Target Group comprises the Target Company and Shanghai Shundun. The Target Company is a company established under the laws of the PRC with limited liability. It is principally engaged in the research and development, manufacturing and sales of fire engines and firefighting equipment. As at the Latest Practicable Date, the Target Company is directly held as to 100% by the Vendor and Zhou Xiangyi is the *de facto* controller of the Target Company.

Shanghai Shundun is a direct wholly-owned subsidiary of the Target Company. It was established under the laws of the PRC with limited liability in March 2018 by the Target Company and is currently a dormant company.

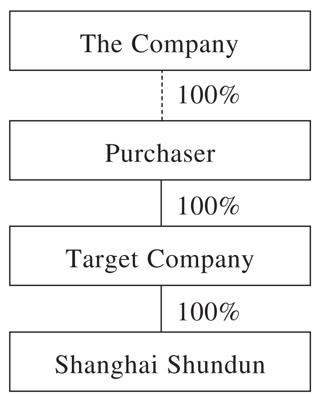
The following table shows the registered capital and shareholding structure of the Target Company before and after the Acquisition:

	Before the Acquisition		**After the Acquisition**	
	Registered capital *(RMB)*	**% of shareholding**	**Registered capital** *(RMB)*	**% of shareholding**
Shareholders				
The Vendor	83,330,000	100	–	–
The Purchaser	–	–	83,330,000	100
Total	**83,330,000**	**100**	**83,330,000**	**100**

As at the date of this circular, the shareholding structure of the Target Group is as follows:



Immediately after Completion, the shareholding structure of the Target Group is as follows:



Financial information of the Target Group

Based on the 2016 Audit Report and the 2017 Audit Report, the financial information of the Target Group for the 2 years ended 31 December 2016 and 2017 and the 10 months ended 31 October 2018 was as follows:

	For the year ended 31 December		**For the 10 months ended 31 October**
	2016	**2017**	**2018**
	(audited)	**(audited)**	**(audited)**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	258,835	301,707	261,647
Profit before taxation	44,457	41,516	29,449
Profit after taxation	38,001	35,696	25,628

The audited net asset value of the Target Group as at 31 October 2018 was approximately RMB136,526,000.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group. The Company will continue to comply with its ongoing disclosure obligations under the Listing Rules regarding the business and financial performance of the Target Group after Completion.

Information on the Vendor

The Vendor is a company established under the laws of the PRC with limited liability which holds 100% of the equity interests in the Target Company as at the date of this circular. The Vendor is principally engaged in the design, manufacturing and sale of firefighting equipment.

The ultimate beneficial owners of the Vendor are Zhou Xiangyi and Zhou Guodong. Zhou Xiangyi is a PRC citizen and has been the chairman of the board and the legal representative of the Target Company since 28 January 2010. He has over 8 years of service with the Target Company and over 30 years of experience in the fire safety industry.

Zhou Guodong is a PRC citizen and a son of Zhou Xiangyi. He graduated from China University of Geosciences* (中國地質大學) with a Bachelor degree in economics in July 2007. He joined the Vendor in August 2007 as a sales representative and has joined the Target Company since March 2011. He is currently a director and the Assistant to the General Manager of the Target Company.

As at the date of this circular, Zhou Xiangyi and Zhou Guodong jointly hold the entire equity interests in the Vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor, Zhou Xiangyi and Zhou Guodong are third parties independent of the Company and its connected persons.

Information on the Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the design, and manufacturing and sale of firefighting equipment.

Information on the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. 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 manufacturing of passengers boarding bridges, airport ground support equipment and auto stereoscopic parking systems, and the provision of integrated solutions of logistics automation and intelligentization, including airport baggage handling and cargos handling.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Group is one of the leading manufacturers of fire engines, fire prevention and fighting equipment in the PRC. In order to facilitate its business growth, the Group implements a number of strategies, including the formation of strategic alliances, as well as mergers and acquisitions of companies which can complement the Group's existing lines of business.

The principal business of the Target Company, being the research and development, manufacturing and sales of fire engines and firefighting equipment in the PRC, is considered to be complementary to the Group's existing lines of business and would be a desirable natural expansion of the current business of the Group. The Acquisition is therefore expected to provide an excellent opportunity for the Group to strengthen its portfolio of specialised vehicles and enlarge its geographical market coverage and production capacity for the following reasons:

(i) other than the manufacture of conventional fire engines, the Target Group also specialises in the manufacture of a variety of specialised vehicles including road-rail fire trucks, airport trucks, ladder trucks and respiratory protection trucks;

(ii) as the Target Group is based in Shanghai, it has a strong market presence in the south-eastern coastal region of the PRC and the Yangtze River Delta Zone; and

(iii) the factory of the Target Group in Shanghai will be able to boost the production capacity of the Group as a whole after Completion.

In addition, the Group is expected to benefit from the technical knowhow and product research and development capability of the Target Group after Completion.

The strategic importance of the Acquisition to the fire safety business of the Group is also reflected in the (i) the satisfactory financial track record of the Target Company as disclosed in section headed "Information on the Target Group – Financial Information of the Target Group" above; (ii) the high recognition of the Target Company in the local fire safety industry and the capability to manufacture good quality fire engines of the Target Company which has been recognised as a "High and New Tech Enterprise*" (高新技術企業) from 2015 to 2018 by Shanghai Science and Technology Commission* (上海市科學技術委員會) and the relevant tax bureaus and awarded, amongst others, the "Work Safety Standardization Certificate" issued by Shanghai Work Safety Association, the ISO 9001:2008 Quality

Management System Certificate and the "Economic Development Second Class Award*" (經濟建設二等獎) by The PRC Communist Party Pudong New Area Shuyuanzhen Committee* (中共浦東新區書院鎮委員會) in 2018; and (iii) the Target Company's presence in key geographical markets in the southeast coastal regions in the PRC, including but not limited to Jiangsu, Guangdong, Zhejiang and Shanghai.

In view of the above, the Directors consider that the Acquisition is in line with the Group's business growth strategy through mergers and acquisitions of companies.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, the Company will hold the entire equity interests of the Target Company, and the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into that of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, for illustration purpose only:

(i) the profit attributable to owners of the Company for the year ended 31 December 2017 would have increased by approximately RMB21,924,000, from approximately RMB86,118,000 to approximately RMB108,042,000, assuming Completion had taken place on 1 January 2017 and taking into account the restatement of the comparative figures for the year ended 31 December 2017 to reflect the financial effects of the completion of the Pteris Acquisition on 23 April 2018;

(ii) the total assets of the Group as at 30 June 2018 would have increased by approximately RMB595,259,000, from approximately RMB5,134,008,000 to approximately RMB5,729,267,000, assuming Completion had taken place on 30 June 2018; and

(iii) the total liabilities of the Group as at 30 June 2018 would have increased by approximately RMB449,987,000, from approximately RMB2,239,256,000 to approximately RMB2,689,243,000, assuming Completion had taken place on 30 June 2018.

For further details of the financial effects of the Acquisition and the restatement of the comparative figures for the year ended 31 December 2017 as described in paragraph (i) above, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular.

6. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

7. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at 3:00 p.m. on 23 April 2019 (Tuesday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

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 Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM or the adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be).

The voting in relation to the Acquisition and the transactions contemplated thereunder at the EGM will be conducted by way of a poll.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and therefore no Shareholder is required to abstain from voting at the EGM.

8. CLOSURE OF THE SHAREHOLDERS' REGISTERS

For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Tuesday, 16 April 2019 to Tuesday, 23 April 2019. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 April 2019.

9. RECOMMENDATIONS

For the reasons stated in this letter, the Board recommends the Shareholders to vote in favour of the resolution proposed at the EGM to approve the Acquisition. Your attention is also drawn to the additional information set out in the appendices of this circular.

As Completion is subject to the satisfaction or, if applicable, waiver of the conditions precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

* *For identification purpose only*

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND SIX MONTHS ENDED 30 JUNE 2018

Financial information of the Group for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 are disclosed on pages 34 to 123 of the annual report of the Company for the year ended 31 December 2015, pages 39 to 115 of the annual report for the year ended 31 December 2016, pages 43 to 111 of the annual report for the year ended 31 December 2017, and pages 2 to 32 of the interim report for the six months ended 30 June 2018, all of which are published on the website of the Stock Exchange at http://www.hkexnews.hk/. Quick links to the annual reports and interim report of the Company are set out below:

Annual report of the Company for the year ended 31 December 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN20160421240.pdf

Annual report of the Company for the year ended 31 December 2016:
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0419/LTN20170419289.PDF

Annual report of the Company for the year ended 31 December 2017:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427660.PDF

Interim report of the Company for the year ended 30 June 2018:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0906/LTN20180906697.PDF

II. INDEBTEDNESS

Borrowings

As at 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the date of this circular, the Enlarged Group had outstanding borrowings of RMB885.56 million, which comprised:

(i) secured and guaranteed bank borrowings of RMB170.00 million;

(ii) unsecured and unguaranteed bank borrowings of RMB255.06 million;

(iii) unsecured and guaranteed bank borrowings of RMB44.45 million;

(iv) unsecured and unguaranteed loans from related parties of RMB326.47 million;

(v) unsecured and unguaranteed convertible bonds (liabilities portion) of RMB84.93 million; and

(vi) letter of credit of RMB4.65 million.

Contingent liabilities

As at 31 January 2019, the Group had issued letters of guarantee amounting to RMB949.15 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 January 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.

The Directors confirm that there is no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 January 2019 up to the Latest Practicable Date.

III. WORKING CAPITAL

Taking into account of the completion of the Acquisition and the financial resources available to the Enlarged Group, including the internally generated funds, existing bank and other borrowings and the available bank and other facilities the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

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

Since 31 December 2017, 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 ended 31 December 2018:

(1) Pursuant to a sale and purchase agreement dated 4 December 2017 entered into by and among Wang Sing, the Company, Sharp Vision and Fengqiang, Wang Sing agreed to acquire, and Sharp Vision and Fengqiang agreed to sell, 383,064,391 ordinary shares of Pteris (representing approximately 99.41% of the equity interests in Pteris). The Pteris Acquisition was completed on 23 April 2018. The aggregate consideration for the Pteris Acquisition was RMB3,806,530,716 of which, RMB2,992,459,264 was payable to Sharp Vision and was satisfied by the issuance by the Company of 4,664,472,279 Shares at the issue price of HK$0.366 per Share and convertible bonds in the principal amount of RMB1,541,341,938 to Sharp Vision, and RMB814,071,452 was payable to Fengqiang and was satisfied by the issuance by the Company of 1,790,956,291 Shares by the Company at the issue price of HK$0.366 per Share and convertible bonds in the principal amount of RMB256,904,950 to Fengqiang. Pteris Group (including TianDa Group) is one of the world's largest suppliers of passenger boarding bridges and a leading integrated solutions

provider of airport facility equipment in the PRC including airport logistic systems and airport apron buses. Please refer to the announcements of the Company dated 23 April 2018 and 4 May 2018 and the circular of the Company dated 15 March 2018 for further details of the Pteris Acquisition. The financial information of the Pteris Group (with financial information of the TianDa Group consolidated) for the three years ended 31 December 2015, 2016 and 2017 has been disclosed in Appendix IB to this Circular.

(2) Pursuant to a sale and purchase agreement dated 4 December 2017 entered into between Wang Sing and Lucky Rich, Wang Sing agreed to acquire, and Lucky Rich agreed to sell, 30% equity interests in TianDa. The TianDa Acquisition was completed on 23 April 2018. The consideration was RMB610,553,589, which was satisfied by the issuance by the Company of 1,014,679,470 Shares at the issue price of HK$0.366 per Share and convertible bonds in the principal amount of RMB294,886,806 to Lucky Rich Holdings Limited. TianDa Group is principally engaged in the design and manufacture of passenger boarding bridges, ground support equipment, and its ground support equipment business includes design and manufacture of apron bus. Please refer to the announcements of the Company dated 23 April 2018 and 4 May 2018 and the circular of the Company dated 15 March 2018 for further details of the Tianda Acquisition. The financial information of the Pteris Group (with financial information of the TianDa Group consolidated) for the three years ended 31 December 2015, 2016 and 2017 has been disclosed in Appendix IB to this Circular.

(3) Pursuant to 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), TianDa is to subscribe for the registered capital of RMB97,000,000 of CIMC Finance at a cash consideration of RMB149,995,328.18. The subscription for the registered capital of CIMC Finance was completed in December 2018. CIMC Finance is a banking financial institution established in the PRC and principally engaged in the provision of financial services to CIMC Group. Please refer to the announcements of the Company dated 20 July 2018 and 6 November 2018 and the circular of the Company dated 16 October 2018 for further details of the subscription for the registered capital of CIMC Finance. The accountant's report of CIMC Finance, which disclosed the financial information of CIMC Finance for the three years ended 31 December 2015, 2016 and 2017, was set out in pages IIA-4 to IIA-74 of the circular of the Company dated 16 October 2018. Please also see below quick link to circular of the Company dated 16 October 2018: http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1015/LTN20181015269.pdf.

(4) Pursuant to an equity transfer agreement dated 20 July 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司), the Purchaser is to acquire 10% of the equity interests in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration as the Purchaser shall assume the obligation to contribute the paid up capital of RMB10,000,000. The acquisition was completed in January 2019. CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) is principally engaged in providing procurement services in respect of ancillary materials for production such as chemical materials, paint, engine oil etc., hazardous waste treatment and machinery repairing and maintenance services. Please refer to the announcements of the Company dated 20 July 2018 and 6 November 2018 and the circular of the Company dated 16 October 2018 for further details of the acquisition. Since CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) was a newly established company, financial information for the three years ended 31 December 2015, 2016 and 2017 is therefore not available.

(5) Pursuant to an equity transfer agreement dated 31 July 2018 and a supplemental agreement dated 30 November 2018 entered into by and among the Purchaser, Shenyang Jietong, and seven PRC residents who collectively owned 100% of Shenyang Jietong in respect of the acquisition by the Purchaser of 60% equity interests in Shenyang Jietong at cash consideration of RMB600,000,000. Shenyang Jietong is principally engaged in the manufacturing of fire engines in the PRC with specialisation in aerial lifting fire trucks. Please refer to the announcements of the Company dated 31 July 2018 and 30 November 2018 for further details of the acquisition. Since the circular for the acquisition of Shenyang Jietong is being processed, financial information of Shengyang Jietong for the three years ended 31 December 2015, 2016 and 2017 is therefore not available yet.

(6) Pursuant to an equity transfer agreement dated 28 August 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司), the Purchaser is to acquire 5% of the equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration as the Purchaser shall assume the obligation to contribute the paid up capital of RMB10,000,000. The acquisition was completed in January 2019. Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. 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. The accountant's report of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司), which disclosed its financial information for the three years ended 31 December 2015, 2016 and 2017, was set out in pages IIB-4 to IIB-19 of the circular of the Company dated 16 October 2018. Please also see below quick link to circular of the Company dated 16 October 2018: http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1015/LTN20181015269.pdf.

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.

The completion of the acquisition referred to in sub-paragraph (5) above is subject to conditions precedent in their respective agreements which include, in particular, (i) the approval of shareholders of the Company in the extraordinary general meetings to be convened; and (ii) completion of the industry and commence registration in respect of the equity transfer, which have not taken place as at the Latest Practicable Date.

Save as disclosed in this circular, since 31 December 2017 (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 PROSPECTS OF THE ENLARGED GROUP

Upon completion of the Pteris Acquisition in April 2018, there has been an expansion in the Group's business scope. In addition to the production and sale of fire engines and fire equipment, the Group has since been also engaged in the design, manufacturing and sale of the four major types of products below and the provision of related services:

(1) passenger boarding bridges ("**PBB**") for connecting airport terminals to commercial aircrafts;

(2) airport ground support equipment ("**GSE**") such as airport apron buses, aircraft catering vehicles, cargo loaders and other specialised vehicles;

(3) automated parking systems ("**APS**"), including vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems; and

(4) baggage, material and warehouse handling systems ("**MHS**") which comprises systems for sorting, handling and transportation of different types of baggage, cargo and goods and materials.

For the PBB business, the Group ranked the second largest supplier of passenger boarding bridges in the world in terms of revenue in 2016 and occupied over 90% market share in China. To maintain its leading position, the Group is dedicated to develop new value-added products. The Smart Bridge System and Visual Docking Guidance System (VDGS), launched in the last quarter of 2017, were designed to guide the aircraft docking and the connection of passengers boarding bridges to aircraft doors automatically with no manual intervention so as to enhance the reliability and to save labour costs. They are pioneer artificial intelligence products in the global field of airport operations and are expected to bring the Group momentum for further growth.

For the APS business, the Group has obtained patents for the core production technologies of the mechanical intelligent stereo bus parking system (機械式智慧公交車立體停車庫), which is initiated and designed by the Group to solve the land cost problem for public bus parking. The Group is preparing to bid for a number of tenders and expects to obtain the first sales order in the first half of 2019.

Since the Group acquired the sorting devices technology in 2017, the MHS 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, shelving, sorting, retrieving and delivery in a warehouse all made automatic through an intelligent management system. The broadened market coverage has pushed up the amount of contracts secured and expanded the customer base.

To speed up the development of the fire engines and equipment business, the Group has been powering up its product development capability and extending its geographical range through strengthening its internal development function and acquisitions. Upon completion of the Acquisition, it is anticipated that the Group will gain from the synergy effects of the enlarged market, production capacity, product variety and technological know-how sharing.

Besides, to seize the potential market arising from the possible massive upgrade and replacement of airport fire engines in China in the coming years, the Enlarged Group will continue to speed up its development of the airport rapid mobilization fire trucks, which are designed with rapid speed acceleration to tackle fire on aircrafts running at high speed. Research has also been conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularization and product standardization, in order to enhance manufacturing efficiency and reduce costs of production.

The Enlarged Group will further invest to seize every opportunity arising from the growth in the aviation industries, e-commerce and express delivery, and the fire industries. Future investments will include (i) setting up of services companies for PBB in Europe and the Middle East; (ii) new products developments; and (iii) other acquisition of companies or business that fit into the Enlarged Group's strategies.

The audited financial statements of the Pteris Group for the years ended 31 December 2015, 2016 and 2017 are set out below. They have been prepared in accordance with all applicable HKFRSs and have been presented in Singapore dollar ("SGD") and all values were rounded to the nearest thousand (SGD'000) unless otherwise specified.

(a) Consolidated Statements of Profit or Loss

		Year ended December 31,		
		2015	**2016**	**2017**
	Note	*SGD'000*	*SGD'000*	*SGD'000*
Revenue	6	341,335	317,281	339,537
Cost of sales	11	(276,006)	(243,390)	(260,028)
Gross profit		65,329	73,891	79,509
Other income	7	11,848	11,910	12,412
Selling and distribution expenses	11	(12,037)	(12,409)	(10,733)
General and administrative expenses	11	(42,939)	(51,573)	(50,744)
Other gains/(losses) – net	8	2,157	7,074	(743)
Operating profit		24,358	28,893	29,701
Finance costs	9	(2,506)	(1,479)	(1,484)
Profit before income tax		21,852	27,414	28,217
Income tax expense	10	(3,525)	(4,122)	(3,777)
Profit for the year		18,327	23,292	24,440
Profit for the year attributable to:				
– Equity holders of Pteris		13,210	14,901	17,586
– Non-controlling interests		5,117	8,391	6,854
		18,327	23,292	24,440

(b) Consolidated Statements of Comprehensive Income

		Year ended December 31,		
		2015	**2016**	**2017**
	Note	*SGD'000*	*SGD'000*	*SGD'000*
Profit for the year		18,327	23,292	24,440
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Currency translation differences		(468)	(6,589)	(1,983)
Items that may not be reclassified to profit or loss				
Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights		6,658	–	123
Other comprehensive income for the year, net of tax		6,190	(6,589)	(1,860)
Total comprehensive income for the year		24,517	16,703	22,580
Total comprehensive income for the year attributable to:				
– Equity holders of Pteris		18,131	9,859	16,188
– Non-controlling interests		6,386	6,844	6,392
		24,517	16,703	22,580

(c) Consolidated Statements of Financial Position

		As at December 31,		
		2015	**2016**	**2017**
	Note	*SGD'000*	*SGD'000*	*SGD'000*
ASSETS				
Non-current assets				
Land use rights	14	15,281	14,358	14,484
Property, plant and equipment	15	109,098	115,711	112,877
Investment properties	16	48,316	48,844	50,382
Intangible assets	17	35,835	32,960	46,961
Deferred income tax assets	26	5,186	5,477	4,401
Other non-current assets		72	62	823
		213,788	217,412	229,928
Current assets				
Inventories	21	47,771	59,899	104,545
Amounts due from contract customers	23	17,363	29,891	33,485
Trade receivables	22	176,879	195,934	193,531
Prepayments and other receivables	22	21,144	28,345	31,140
Assets held for sale	25	3,218	–	–
Other financial assets	20	106	110	451
Pledged bank deposits	24	2,212	108	106
Cash and cash equivalents	24	31,425	54,822	45,123
		300,118	369,109	408,381
Total assets		513,906	586,521	638,309
EQUITY				
Equity attributable to owners of Pteris				
Share capital	27	97,819	104,781	104,781
Reserves	28	113,750	119,755	136,935
		211,569	224,536	241,716
Non-controlling interests		40,962	47,806	58,456
Total equity		252,531	272,342	300,172

		As at December 31,		
		2015	2016	2017
	Note	*SGD'000*	*SGD'000*	*SGD'000*
LIABILITIES				
Non-current liabilities				
Trade and other payables	29	2,739	16,563	3,165
Borrowings	30	1,277	9,849	–
Deferred income tax liabilities	26	1,211	1,437	677
Deferred income	32	9,488	10,848	15,747
		14,715	38,697	19,589
Current liabilities				
Trade and other payables	29	198,876	232,862	268,500
Amounts due to contract customers	23	5,602	7,040	7,418
Borrowings	30	20,004	12,296	23,086
Provisions	31	17,264	18,362	16,338
Other financial liabilities	20	442	1	–
Current income tax liabilities		4,472	4,921	3,206
		246,660	275,482	318,548
Total liabilities		261,375	314,179	338,137
Total equity and liabilities		513,906	586,521	638,309

(d) Consolidated Statements of Changes in Equity

		Attributable to owners of the Pteris								
	Note	Share capital SGD'000	Assets revaluation reserve SGD'000	Surplus reserves SGD'000	Other Reserves SGD'000	Currency translation reserve SGD'000	Retained earnings SGD'000	Sub-total SGD'000	Non-controlling interests SGD'000	Total equity SGD'000
Balance as at January 1, 2015		97,819	–	1,945	–	627	70,984	171,375	1,801	173,176
Comprehensive income										
– Profit for the year		–	–	–	–	–	13,210	13,210	5,117	18,327
Other comprehensive income										
– Currency translation differences		–	–	–	–	(25)	–	(25)	(443)	(468)
– Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and land use rights		–	4,946	–	–	–	–	4,946	1,712	6,658
Total comprehensive income for the year		–	4,946	–	–	(25)	13,210	18,131	6,386	24,517
Transaction with owners										
– Strike off of a subsidiary		–	–	–	–	(567)	567	–	–	–
– Disposal of subsidiary without loss of control	28(b)	–	–	–	22,063	–	–	22,063	32,075	54,138
– Capital injection from non-controlling interest of a subsidiary		–	–	–	–	–	–	–	1,000	1,000
– Dividends to non-controlling interests		–	–	–	–	–	–	–	(300)	(300)
Total transactions with owners, recognised directly in equity		–	–	–	22,063	(567)	567	22,063	32,775	54,838
Balance at December 31, 2015		97,819	4,946	1,945	22,063	35	84,761	211,569	40,962	252,531

		Attributable to owners of the Pteris								
	Note	Share capital SGD'000	Assets revaluation reserve SGD'000	Surplus reserves SGD'000	Other Reserves SGD'000	Currency translation reserve SGD'000	Retained earnings SGD'000	Sub-total SGD'000	Non-controlling interests SGD'000	Total equity SGD'000
Balance as at January 1, 2016		97,819	4,946	1,945	22,063	35	84,761	211,569	40,962	252,531
Comprehensive income										
– Profit for the year		–	–	–	–	–	14,901	14,901	8,391	23,292
Other comprehensive income										
– Currency translation differences		–	–	–	–	(5,042)	–	(5,042)	(1,547)	(6,589)
Total comprehensive income for the year		–	–	–	–	(5,042)	14,901	9,859	6,844	16,703
Transaction with owners										
– Issuance of deferred shares	27(a)	6,962	–	–	–	–	–	6,962	–	6,962
– Dividends	13	–	–	–	–	–	(3,854)	(3,854)	–	(3,854)
Total transactions with owners, recognised directly in equity		6,962	–	–	–	–	(3,854)	3,108	–	3,108
Balance at December 31, 2016		104,781	4,946	1,945	22,063	(5,007)	95,808	224,536	47,806	272,342

		Attributable to owners of the Pteris								
	Note	Share capital SGD'000	Assets revaluation reserve SGD'000	Surplus reserves SGD'000	Other reserves SGD'000	Currency translation reserve SGD'000	Retained earnings SGD'000	Sub-total SGD'000	Non-controlling interests SGD'000	Total equity SGD'000
Balance as at January 1, 2017		104,781	4,946	1,945	22,063	(5,007)	95,808	224,536	47,806	272,342
Comprehensive income										
– Profit for the year		–	–	–	–	–	17,586	17,586	6,854	24,440
Other comprehensive income										
– Currency translation differences		–	–	–	–	(1,521)	–	(1,521)	(462)	(1,983)
– Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and land use rights		–	123	–	–	–	–	123	–	123
Total comprehensive income for the year		–	123	–	–	(1,521)	17,586	16,188	6,392	22,580
Transaction with owners										
– Disposal of a subsidiary without loss of control	35	–	–	–	992	–	–	992	1,456	2,448
– Capital injection from non-controlling interest of a subsidiary	18(i)	–	–	–	–	–	–	–	3,102	3,102
– Dividends to non-controlling interests		–	–	–	–	–	–	–	(300)	(300)
Total transactions with owners, recognised directly in equity		–	–	–	992	–	–	992	4,258	5,250
Balance at December 31, 2017		104,781	5,069	1,945	23,055	(6,528)	113,394	241,716	58,456	300,172

(e) Consolidated Statements of Cash Flows

	Note	Year ended December 31, 2015	2016	2017
		SGD'000	SGD'000	SGD'000
Cash flow from operating activities				
Profit before income tax		21,852	27,414	28,217
Adjustments for:				
Depreciation and amortisation		6,720	7,765	9,381
Loss/(gain) on disposal of property, plant and equipment		30	(91)	2
Property, plant and equipment written off		42	–	–
Interest income		(398)	(316)	(409)
Dividend income		(6)	(8)	(10)
Interest expense		2,500	1,464	1,464
Loss/(gain) from change in fair value of other financial assets		489	239	(156)
The excess of fair value of total identifiable net assets over the consideration	35(ii)	325	–	–
Loss on issuance of deferred shares		–	6,962	–
Gain on fair value of investment properties		–	(1,005)	(216)
Gain on disposal of assets held for sales		–	(3,281)	–
Gain on disposal of other non-current assets		–	(1,640)	–
Operating profit before working capital changes		31,554	37,503	38,273
Inventories and construction work-in-progress		24,758	(23,767)	(46,309)
Trade and other receivables		(27,581)	(19,391)	(2,269)
Trade and other payables		71	56,396	26,808
Provisions		1,891	(2,068)	715
Cash generated from operations		30,693	48,673	17,218
Income tax paid		(4,708)	(4,241)	(5,347)
Net cash generated from operating activities		25,985	44,432	11,871

		Year ended December 31,		
		2015	2016	2017
	Note	SGD'000	SGD'000	SGD'000
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets		(41,610)	(16,687)	(21,720)
Government grants relating acquisition of assets received		1,056	3,259	5,028
Proceeds from sale of property, plant and equipment		58	155	279
Proceeds from sale of other non-current assets		–	1,650	–
Proceeds from sales of assets held for sale		–	6,499	–
Interest received		398	475	409
Dividend received		6	8	10
Acquisition of a subsidiary, net of cash acquired	35	(1,393)	–	(915)
Net cash flows used in investing activities		(41,485)	(4,641)	(16,909)
Cash flow from financing activities				
Proceeds of borrowings from related companies		39,605	38,756	17,407
Repayment of borrowings to related companies		(55,447)	(55,659)	(32,869)
Advances received from related companies, net		17,806	–	–
Proceeds of borrowings from banks		22,984	14,027	14,168
Repayment of borrowings to banks		(78,403)	(10,115)	(4,823)
Interest paid		(2,731)	(1,561)	(1,544)
Cash received for disposal of interest in a subsidiary	28(b)	54,138	–	–
Cash injection from non-controlling interest of a subsidiary		1,000	–	3,102
(Increase)/decrease in cash pledged for financing		(6)	2,212	2
Dividend paid		(749)	(3,854)	–
Net cash used in financing activities		(1,803)	(16,194)	(4,557)

	Note	2015	2016	2017
		Year ended December 31,		
		SGD'000	*SGD'000*	*SGD'000*
Net (decrease)/increase in cash and cash equivalents		(17,303)	23,597	(9,595)
Cash and cash equivalents at beginning of the year		48,949	31,425	54,822
Exchange losses on cash and cash equivalents		(221)	(200)	(104)
Cash and cash equivalents at end of the year	24	31,425	54,822	45,123

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Pteris Global Limited ("Pteris") was incorporated and domiciled in Singapore on 25 January 1979. The address of its registered office is 28 Quality Road, Singapore 618828. The Pteris's ultimate holding company is China International Marine Containers (Group) Co., Ltd..

Pteris and its subsidiaries (the "Pteris Group") is engaged in the business of: (i) provision of engineering and computer software solutions for airport logistics and materials, such as baggage and air cargo handling systems; (ii) the manufacture and repair of airport ground support equipment, including aircraft catering vehicles and other service vehicles; (iii) manufacture and sale of airport equipment which comprises mainly passenger boarding bridges and ground support equipment such as airport apron buses, aircraft catering vehicles and other specialized vehicles; (iv) manufacture and sale of baggage and materials handling systems, which comprises systems for the sorting, handling and transportation of different types of baggage and cargo; and (v) manufacture and sale of automated parking systems.

The Financial Information are presented in Singapore Dollar ("SGD"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Pteris Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), its amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Pteris Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

2.1.1 New/revised standards, amendments to standards and interpretations

(a) New and amended standards adopted by the Pteris Group

The Pteris Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to HKAS 12, and
- Disclosure initiative – amendments to HKAS 7, and
- Disclosure of Interests in Other Entities – amendments to HKFRS 12.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 33(b).

(b) New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted:

	Effective for accounting periods beginning on or after
HKFRS 9 "Financial Instruments"	1 January 2018
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 2 (Amendment) "Classification and Measurement of Share-based Payment Transactions"	1 January 2018
HKFRS 4 (Amendment) "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
HKFRS 1 (Amendment) "First time adoption of HKFRS"	1 January 2018
HKAS 28 (Amendment) "Investments in Associates and Joint Ventures"	1 January 2018
HKAS 40 (Amendment) "Transfers of investment property"	1 January 2018
HK (IFRIC) 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018
HK (IFRIC) 23 "Uncertainty over Income Tax Treatments"	1 January 2019
HKFRS 16 "Leases"	1 January 2019
HKFRS 9 (Amendment) "Prepayment Feature with Negative Compensation"	1 January 2019
Amendments to HKFRS "Annual Improvements to HKFRS Standards 2015-2017 Cycle"	1 January 2019
HKFRS 17 "Insurance Contracts"	1 January 2021
Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

The Pteris Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Pteris Group's operations.

HKFRS 9 replaces the whole of HKAS 39. HKFRS9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

There will not have material impact on the Pteris Group's accounting for financial assets, as the new requirements only affect the accounting for financial assets that are designated at fair value through profit or loss and the Pteris Group does not have material such assets. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. The Pteris Group assesses that adopting HKFRS 9 will not have material impact to the Pteris Group's results of operations and financial position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Pteris Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) Identify the contract(s) with 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 core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

Management is currently assessing the effects of applying the new standard of HKFRS 15 on the Pteris Group's financial statements and has identified the following areas that are likely to be affected:

Presentation of contract assets and contract liabilities in the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

The Pteris Group considers that the adoption of the new standard of HKFRS 15 will not have a significant impact on the Pteris Group's financial position and results of operations.

Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of lowvalue assets. This exemption can only be applied by lessees.

The Pteris Group is a lessee of certain properties, which are currently accounted for as operating teases under HKAS 17 based on the accounting policy as set out in Note 2.18, is to record the rental expenses in the Pteris Group's consolidated income statement for the current year with the disclosure of related future minimum lease payments as operating lease commitments (Note 34(b)). As at 31 December 2017, the Pteris Group's total non-cancellable operating lease commitments amounted to SGD17,835,000. The new standard will therefore result in a derecognition of prepaid operating lease, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated income statement, as a result, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments accounts for 5% of the total liabilities of the Pteris Group as at 31 December 2017, the Directors of the Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would not result in significant impact on the Pteris Group's financial position. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable from construction contracts, the sale of goods and rendering of services in the ordinary course of the Pteris Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Pteris Group.

The Pteris Group assess its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Pteris Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Pteris Group's activities are met as follows:

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, and excludes value-added tax or any other sales tax. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

For sales of airport equipment and material handling systems, there are two revenue sub-streams comprising (i) revenue from the sales of the equipment and systems and (ii) revenue from installation and testing services to customers in relation to those items. Revenue from the sales of the equipment and systems is recognised when the Pteris Group has delivered the items to locations specified by its customers and the customers have accepted the items in accordance with the sales contracts. For accounting policy for revenue from installation and testing services and the provision of training to customers in relation to those items, please refer to the paragraph Rendering of service.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue from a fixed price contract is recognised in profit or loss using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of the project cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Rendering of service

Revenue from rendering of maintenance and installation services is recognised in profit or loss when the service is rendered.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Pteris Group has control. The Pteris Group controls an entity when the Pteris Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Pteris Group. They are deconsolidated from the date on that control ceases.

In preparing the Historical Financial Information, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Pteris Group.

An entity shall attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The entity shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Pteris Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Pteris Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Pteris Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Pteris Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Transactions with non-controlling interests

Changes in the Pteris Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of Pteris. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of Pteris.

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Freehold land and buildings are initially recognised at cost less accumulated impairment losses. Leasehold land and buildings are carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Assets under construction

Assets under construction comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. Depreciation on these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for the intended use.

(iv) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.6 on borrowing costs).

(b) Depreciation

Assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold buildings – Singapore	30 years
Buildings – China	50 years
Motor vehicles	5 – 7 years
Machinery and equipment	3 – 10 years
Office and other equipment	3 – 10 years

The residual values, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses) – net", "cost of sales" or "general and administrative expenses".

2.5 Intangible assets

(a) Measurement

(i) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

(ii) Research and development costs

Research and development costs that are directly attributable to the design and testing of identifiable and unique optical products are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for sale in the future;
- Management intends to complete the product and sell it;

- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to sell the product are available;
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(c) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are as follow:

	Useful lives
Software	10 years
Operating rights of automated parking system	12 – 18 years
Patent for automatic sorting system	10 years
Patent for aircraft ground air conditioning	8 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.7 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as inventories on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the end of the reporting period, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. When cumulative costs incurred to date plus recognised profit less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'amounts due from contract customers'. For contracts where progress billings exceed cumulative costs incurred to date plus recognised profit less recognised losses, the surplus representing amounts due to customers is shown as 'amounts due to contract customers'.

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables".

2.8 Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment properties are included in the cost of the investment properties when it is probable that the associated economic benefits will flow to the Pteris Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Pteris Group adopts fair value model to subsequently measure investment properties and doesn't provide depreciation or amortisation. The carrying amount of investment properties is adjusted based on their fair value at the statement of financial position date, and the difference between the fair value and the original carrying amount is recognised in profit or loss for the current period.

When an investment property is transferred to owner-occupied property, it is reclassified to property, plant and equipment or intangible asset with the carrying amount determined at the fair value of the investment properties at the date of the transfer, and the difference between the fair value and the original carrying amount of the investment property is recognised in profit or loss for the current period. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the property, plant and equipment or intangible asset is transferred to investment properties with the carrying amount determined at the fair value at the date of the transfer. If the fair value at the date of the transfer is less than the original carrying amount of the property, plant and equipment or the intangible asset, the difference is recognised in profit or loss for the current period; otherwise, it is included in other comprehensive income.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment properties net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

2.9 Interests in subsidiaries

Interests in subsidiaries are carried at cost less accumulated impairment losses in the Pteris's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Pteris Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Interests in subsidiaries

Intangible assets, property, plant and equipment and interests in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.11 Financial assets

(a) Classification

The Pteris Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for non-current interest-free receivables from subsidiaries which have been accounted for in accordance with Note 2.9 on Interests in subsidiaries. Loans and receivables are presented as "Trade receivables", "Prepayments and other receivables" (Note 22), "Amounts due from contract customers" (Note 23) and "Cash and cash equivalents" (Note 24) on the statement of financial position.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Pteris Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Pteris Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

(e) Impairment

The Pteris Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Pteris Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Pteris Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and any accumulated impairment losses. Land use rights are amortised on a straight line basis over the lease terms of agreement of 50 years.

2.16 Derivative financial instruments

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss.

2.17 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of the reporting period. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Pteris Group uses a variety of methods and makes assumptions based on market conditions that are existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.18 Leases

(a) When the Pteris Group is the lessee

The Pteris Group leases motor vehicles under finance leases and land, factories and warehouses under operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Pteris Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) When the Pteris Group is the lessor

(i) Lessor – Operating leases

The Pteris Group leases industrial land under operating leases to non-related parties.

Lease of industrial land where the Pteris Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Pteris Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.19 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost principle. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.20 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on interests in subsidiaries, associated companies and joint ventures, except where the Pteris Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Pteris Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Pteris Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.21 Provisions

Provisions for warranty are recognised when the Pteris Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Pteris Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.22 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Pteris Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Pteris Group has no further payment obligations once the contributions have been paid.

(b) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Pteris Group recognises termination benefits at the earlier of the following dates: (a) when the Pteris Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Share-based payments

The share option program in 2014 allowed employees to acquire shares of Pteris. The fair value of options granted was recognised as an employee expense, with a corresponding increase in equity. The fair value was measured at grant date and spread over the vesting period during which the employees became unconditionally entitled to the options. At reporting date, Pteris revised its estimates of the number of options that were expected to become exercisable. It recognised the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs were credited to share capital when the options were exercised.

2.23 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Pteris Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore Dollars ("SGD"), which is the functional currency of Pteris.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss. However, in the Historical Financial Information, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss within "finance costs". All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of profit or loss within "Other gains/(losses) – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of the Pteris Group entities' financial statements

The results and financial position of all the Pteris Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.26 Government grants

Government grants are transfer of monetary assets from the government to the Pteris Group at no consideration, including taxes refund and financial allowances.

A government grant is recognised initially as deferred income when there is reasonable assurance that the grant will be received and the Pteris Group will comply with the conditions associated with the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivables. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

The grant is then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. A grant that compensates the Pteris Group for expenses incurred is recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

2.27 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.28 Dividends to Pteris's shareholders

Dividends to Pteris's shareholders are recognised when the dividends are approved for payment.

2.29 Other non-current assets

Other non-current assets, include unquoted equity securities, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are stated at cost less impairment losses on a review at the end of the reporting period.

Gains or losses on disposal of other assets are determined as the difference between the net disposal proceeds and the carrying amount of the investments and are accounted for in the profit or loss as they arise.

2.30 Non-current assets held for sale

Non-current assets are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Pteris Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Impairment of goodwill

Goodwill is tested for impairment annually in accordance with the accounting policy stated in Note 2.10.

The recoverable amounts of CGUs have been determined based on value in-use calculations. These calculations require the use of estimates. The details of the calculation and estimates used and the sensitivity analysis of the estimates are set out in Note 17(a).

(b) Construction contracts

The Pteris Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are used to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% for the years ended December 31, 2015, 2016 and 2017 from management's estimates, the Pteris Group's profit would have been lower/higher by SGD9,904,000 and SGD1,674,000, SGD5,273,000 and SGD5,927,000 and SGD5,036,000 and SGD5,916,000 respectively.

(c) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

As at December 31, 2015 and 2016 and 2017, the Pteris Group recorded allowance for impairment of trade and other receivables amounting to SGD11,909,000, SGD11,956,000 and SGD12,313,000. Further analysis of the Pteris Group's credit profile is set out in Note 22.

(d) Uncertain tax positions

The Pteris Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax charged to profit or loss are set out in Note 10.

(e) Warranties

The Pteris Group and Pteris provide warranties on certain products and undertake to repair and replace items that fail to perform satisfactorily. Significant estimates are used by management to determine the amount of provision for warranties. In making these estimates, management has relied on past experience of the level of repairs and returns. Management is of the view that the provision for warranties is adequate at reporting dates. The details of provision are set out in Note 32.

(f) Fair value estimation on investment properties

The Pteris Group owns certain investment properties and carries them at fair value as at statement of financial position dates. Certain assumptions and estimates are made to determine the fair value on these investment properties. The details of the fair value and the estimates are set out in Note 16.

4 FINANCIAL RISK MANAGEMENT

The Pteris Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Pteris Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Pteris Group's financial performance.

4.1 Market risk

(a) Foreign currency risk

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

The carrying amounts of the Pteris Group's foreign currency denominated monetary assets and monetary liabilities as at December 31, 2015 and 2016 and 2017 are as follows:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Assets			
United States dollars ("USD")	80,706	63,822	39,222
Euro ("EUR")	16,284	27,921	26,242
Total	96,990	91,743	65,464
Liabilities			
USD	(33,308)	(18,129)	(15,438)
EUR	(166)	(12,290)	(9,634)
Total	(33,474)	(30,419)	(25,072)

The Pteris Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Pteris Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Pteris Group's sensitivity to a reasonably possible change of 5% in exchange rate of each foreign currency against SGD while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period and adjusts their translation at each end of the reporting period for a 5% change in foreign currency rates.

	Increase/(decrease) in profit before tax for the year/period Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
– if SGD strengthens against foreign currencies			
USD	(2,370)	(2,290)	(1,189)
EUR	(806)	(782)	(830)
– if SGD weakens against foreign currencies			
USD	2,370	2,290	1,189
EUR	806	782	830

(b) Interest rate risk

The Pteris Group's interest rate risk arises from bank borrowings and loans from related parties. The Pteris Group's bank borrowings and loans from related parties are carried at various floating and fixed rates which expose the Pteris Group to cash flow and fair value interest rate risk respectively. The Pteris Group has not entered into any interest rate swaps to hedge its exposure to interest rate risk.

As at December 31, 2015 and 2016 and 2017, if the interest rates had increased/decreased by 1% with all other variables including tax rate being held constant, the profit before tax for the year/period would have been lower/higher by SGD464,000, SGD357,000 and SGD231,000, mainly as a result of higher/lower interest expense on these borrowings.

4.2 Credit risk

The Pteris Group's credit risk is primarily attributable to its cash and cash deposits at bank, trade, bills and other receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Pteris Group's credit risk is significantly reduced.

For bank deposits, the Pteris Group placed the deposits with banks and financial institutions which have good collection track record. For trade receivables, the Pteris Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Pteris Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Pteris Group level by the Head of Credit Control.

As at December 31, 2015 and 2016 and 2017, the trade receivables of the Pteris Group comprise 17, 25 and 21 debtors respectively that individually represented 1% – 26% of the trade receivables.

See Notes 22 for further disclosure on credit risk.

4.3 Liquidity risk

The Pteris Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Pteris Group's and Pteris's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each of the statement of financial position dates to the respective contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At December 31, 2015					
Bank borrowings (including interest payable upon maturity)	20,533	1,472	–	–	22,005
Trade and other payables excluding non-financial liabilities	149,501	270	–	–	149,771
Total	170,034	1,742	–	–	171,776
At December 31, 2016					
Bank borrowings (including interest payable upon maturity)	12,884	10,315	–	–	23,199
Trade and other payables excluding non-financial liabilities	157,484	714	14,293	–	172,491
Total	170,368	11,029	14,293	–	195,690

	Less than 1 year *SGD'000*	Between 1 and 2 years *SGD'000*	Between 2 and 5 years *SGD'000*	Over 5 years *SGD'000*	Total *SGD'000*
At December 31, 2017					
Bank borrowings (including interest payable upon maturity)	23,929	–	–	–	23,929
Trade and other payables excluding non-financial liabilities	176,949	312	535	–	177,796
Total	200,878	312	535	–	201,725

4.4 Capital risk management

The Pteris Group's objectives when managing capital are to safeguard the Pteris Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Pteris Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Management monitors capital through regular reviews to ensure adequate capital is maintained.

The Pteris Group is in compliance with externally imposed capital requirements for the Relevant Periods.

4.5 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
At December 31, 2015				
Assets/(Liabilities)				
Derivative financial instruments	–	(442)	–	(442)
Equity securities designated at fair value through profit or loss	106	–	–	106
Total assets/(liabilities)	106	(442)	–	(336)
At December 31, 2016				
Assets/(Liabilities)				
Derivative financial instruments	–	(1)	–	(1)
Equity securities designated at fair value through profit or loss	110	–	–	110
Total assets/(liabilities)	110	(1)	–	109
At December 31, 2017				
Assets				
Derivative financial instruments	185	–	–	185
Equity securities designated at fair value through profit or loss	266	–	–	266
Total assets	451	–	–	451

There were no transfers between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Pteris Group is the current bid price. These instruments are included in Level 1.

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant market yield curve as at the end of the reporting period plus an adequate constant credit spread.

The details of investment properties carried at fair value are set out in Note 16.

4.6 Offsetting financial assets and financial liabilities

(a) Financial assets

Pteris has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the statements of financial position		
	Gross amounts – financial assets (a)	Gross amounts – financial liabilities (b)	Net amounts – financial assets presented in statement of position (c) = (a)-(b)
	SGD'000	*SGD'000*	*SGD'000*
At December 31, 2015			
Amounts due from subsidiaries, trade	3,589	(1,216)	2,373
Total	3,589	(1,216)	2,373
At December 31, 2016			
Amounts due from subsidiaries, trade	6,508	(1,225)	5,283
Total	6,508	(1,225)	5,283
At December 31, 2017			
Amounts due from subsidiaries, trade	1,995	(1,995)	–
Total	1,995	(1,995)	–

(b) **Financial liabilities**

Pteris has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the statements of financial position		
	Gross amounts – financial assets (a) *SGD'000*	**Gross amounts – financial liabilities (b)** *SGD'000*	**Net amounts – financial assets presented in statement of position (c) = (a)-(b)** *SGD'000*
At December 31, 2015			
Amounts due to subsidiaries, trade	1,216	(1,216)	–
Total	1,216	(1,216)	–
At December 31, 2016			
Amounts due to subsidiaries, trade	1,225	(1,225)	–
Total	1,225	(1,225)	–
At December 31, 2017			
Amounts due to subsidiaries, trade	6,002	(1,995)	4,007
Total	6,002	(1,995)	4,007

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Pteris Group or Pteris and their respective counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

5 SEGMENT INFORMATION

The Pteris Group has three reportable segments, as described below, which are the Pteris Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Pteris Group's Chief Executive Officer ("CEO") manages and monitors the unit's business and reviews the internal management report at least on a quarterly basis. Management has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions, allocate resources, and assess performance. The following summary describes the operations in each of the Pteris Group's reportable segments:

(a) Passenger boarding bridge and automated parking system: includes the sales of passenger boarding bridges and car park systems

(b) Logistic system business: includes the provision of engineering and computer software solutions for airport logistics

(c) Ground support equipment: includes the manufacture and repair of airport ground support equipment

The accounting policies of the reportable segments are the same as described in Note 2 to the Historical Financial Information.

Performance is measured based on profit before income tax for the reportable segment. This measurement basis excludes the incidental expenditure from operating segment such as impairment of goodwill on consolidation that is not expected to recur regularly in every period. Inter-segment pricing is determined on an arm's length basis.

(a) Information about operating segment profit or loss, assets and liabilities

	Year Ended December 31, 2015			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
External revenue	192,770	121,454	27,111	341,335
Profit or loss				
Interest income	76	242	80	398
Finance costs	1,631	855	20	2,506
Depreciation	1,125	3,760	484	5,369
Amortisation	1,088	220	43	1,351
Reportable segment profit before income tax	20,689	754	409	21,852

	Year Ended December 31, 2016			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
External revenue	188,007	92,752	36,522	317,281
Profit or loss				
Interest income	167	106	43	316
Finance costs	1,290	153	36	1,479
Depreciation	4,545	1,628	253	6,426
Amortisation	1,200	7	132	1,339
Reportable segment profit/(loss) before income tax	29,952	(3,970)	1,432	27,414

	Year Ended December 31, 2017			
	Passenger boarding bridge and automated parking system	Logistic system business	Ground support equipment	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
External revenue	192,004	105,914	41,619	339,537
Profit or loss				
Interest income	112	250	47	409
Finance costs	1,220	242	22	1,484
Depreciation	5,245	1,594	225	7,064
Amortisation	2,175	73	69	2,317
Reportable segment profit before income tax	24,121	1,904	2,192	28,217

	At December 31, 2015			
	Passenger boarding bridge and automated parking system	Logistic system business	Ground support equipment	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Assets				
Reportable segment assets				
Trade receivables	105,870	60,422	10,587	176,879
Inventories	33,211	7,535	7,025	47,771
Amounts due from contract customers	–	17,363	–	17,363
Property, plant and equipment	58,921	48,934	1,243	109,098
Investment properties	14,344	33,972	–	48,316
Intangible assets	13,240	21,681	404	35,325
Unallocated				79,154
				513,906
Segment assets includes:				
Additions to property, plant and equipment				53,414
Additions to intangible assets				12,247
Liabilities				
Reportable segment liabilities				
Other payables	33,268	4,229	1,887	39,384
Borrowings	12,769	8,512	–	21,281
Provisions	9,902	5,282	2,080	17,264
Amounts due to contract customers	–	5,602	–	5,602
Unallocated				177,844
				261,375

	At December 31, 2016			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Assets				
Reportable segment assets				
Trade receivables	138,862	46,582	10,490	195,934
Inventories	43,640	5,680	10,579	59,899
Amounts due from contract customers	–	29,891	–	29,891
Property, plant and equipment	56,222	58,311	1,178	115,711
Investment properties	14,276	34,568	–	48,844
Intangible assets	10,451	21,681	389	32,521
Unallocated				103,721
				586,521
Segment assets includes:				
Additions to property, plant and equipment				16,687
Additions to intangible assets				32
Liabilities				
Reportable segment liabilities				
Other payables	61,480	3,431	2,010	66,921
Borrowings	14,016	8,129	–	22,145
Provisions	9,415	6,637	2,310	18,362
Amounts due to contract customers	–	7,040	–	7,040
Unallocated				199,711
				314,179

	At December 31, 2017			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Assets				
Reportable segment assets				
Trade receivables	140,003	38,945	14,583	193,531
Inventories	80,729	7,642	16,174	104,545
Amounts due from contract customers	–	33,485	–	33,485
Properties, plant and equipment	90,418	21,314	1,145	112,877
Investment properties	14,248	36,134	–	50,382
Intangible assets	20,173	25,811	414	46,398
Unallocated				97,091
				638,309
Segment assets includes:				
Additions to property, plant and equipment				8,316
Additions to intangible assets				16,138
Liabilities				
Reportable segment liabilities				
Other payables	87,597	7,260	2,299	97,156
Borrowings	14,335	8,750	–	23,086
Provisions	7,543	6,417	2,378	16,338
Amounts due to contract customers	–	7,418	–	7,418
Unallocated				194,139
				338,137

Reconciliations

The amounts reported to the CEO with respect to total assets are measured in a manner consistent with that of the financial statements.

Segment assets

	December 31, 2015	**December 31, 2016**	**December 31, 2017**
	SGD'000	*SGD'000*	*SGD'000*
Segment assets for reportable segments	434,752	482,800	541,218
Unallocated:			
Cash and cash equivalents	33,637	54,930	45,123
Prepayment and other receivables	21,144	28,345	31,140
Intangible assets	510	439	563
Land use rights	15,281	14,358	14,484
Others	8,582	5,649	5,781
	513,906	586,521	638,309

Segment liabilities

	December 31, 2015	December 31, 2016	December 31, 2017
	SGD'000	*SGD'000*	*SGD'000*
Segment liabilities for reportable segments	83,531	114,468	143,998
Unallocated:			
Trade and other payables	159,492	165,941	171,344
Provision for taxation	4,472	4,921	3,206
Deferred income tax liabilities	1,211	1,437	677
Deferred income	9,488	10,848	15,747
Others	3,181	16,564	3,165
	261,375	314,179	338,137

(b) Geographical information

The Pteris Group operates from its facilities in Singapore, Malaysia, United Arab Emirates, People's Republic of China, India and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current assets are based on the geographical location of the assets.

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Revenue			
Middle East	4,772	12,671	7,044
People's Republic of China	240,515	186,034	190,783
Asia	33,067	19,674	55,081
North America	26,611	21,549	21,314
South America	3,517	9,226	5,791
Oceania	4,563	8,083	1,656
Europe	19,438	40,146	29,411
Africa	8,852	19,898	28,457
	341,335	317,281	339,537

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Non-current assets (excluding deferred tax assets and goodwill)			
Singapore	56,853	56,205	55,094
Middle East	32	23	11
People's Republic of China	129,505	133,537	145,109
India	1	–	–
France	26	22	289
United States of America	100	78	167
	186,517	189,865	200,670

(c) Revenue from major customers

During the years ended December 31, 2015, 2016 and 2017, there were nil, one, nil, nil and nil customers, respectively, which individually contributed over 10% of the Pteris Group's total revenue.

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Customer A	42,582	–	–

6 REVENUE

Revenue of the Pteris Group for the Relevant Periods are as follow:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Sales of goods	210,456	213,814	224,605
Construction contracts	84,192	65,078	83,057
Services rendered	46,687	38,389	31,875
	341,335	317,281	339,537

7 OTHER INCOME

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Interest income	398	316	409
Government grants	5,959	5,435	4,922
Rental income	3,721	5,238	5,707
Sale of scrap materials	395	353	447
Dividend income	6	8	10
Others	1,369	560	917
	11,848	11,910	12,412

8 OTHER GAINS/(LOSSES) – NET

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Gain on disposal of assets held for sale	–	3,281	–
Gain on disposal of other non-current assets	–	1,640	–
(Loss)/gain on disposal of property, plant and equipment	(30)	91	(2)
Gain/(loss) on fair value of derivative financial instruments	(295)	(243)	77
Gain on fair value of investment properties	–	1,005	216
(Loss)/gain on fair value of other financial assets	(489)	(239)	156
Write-back of guarantees for third parties	–	833	439
Net foreign exchange gains/(losses)	2,115	625	(1,971)
The excess of fair value of total identifiable net asset over the consideration *(Note 35(ii)(b))*	325	–	–
Others	531	81	342
	2,157	7,074	(743)

9 FINANCE COSTS

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Finance costs:			
– Interest expense on loans from related parties	1,728	907	607
– Interest expense on bank borrowings	1,671	557	857
Less: interest expense capitalised	(899)	–	–
Others	6	15	20
	2,506	1,479	1,484

10 INCOME TAX EXPENSE

The amounts of income tax expense charged to the consolidated statement of profit or loss represent:

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Current income tax			
– Current tax on profits for the year	3,827	4,293	2,996
– Under provision in prior years	375	17	507
Deferred income tax *(Note 26)*	(677)	(188)	274
Income tax expense	3,525	4,122	3,777

(a) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25%.

Four subsidiaries of the Pteris Group, Shenzhen CIMC-Tianda Airport Support Limited, Xinfa Airport Equipment Ltd., Shenzhen CIMC Intralogistics Systems Co., Ltd. and Zhengzhou Jinte Logistics Automation System Co. Ltd. are qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15%.

(b) Singapore corporate income tax

Singapore corporate income tax is calculated at the rate of 17% on the chargeable income of the subsidiaries incorporated in Singapore in accordance with Singapore Income Tax Act.

The tax on the Pteris Group's profit before income tax differs from the theoretical amount that could arise using the Singapore standard tax rate during the respective periods is as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Profit before income tax	21,852	27,414	28,217
Tax calculated at tax rate of 17%	3,715	4,660	4,797
Tax effect of:			
Expenses not deductible for tax purpose	440	1,577	599
Income not subject to income tax and tax incentive	(594)	(938)	(244)
Utilization of previously unrecognised tax losses	(514)	(289)	–
Under provision in prior years	375	17	507
Effect of different tax rates of subsidiaries	(139)	(2,223)	(2,779)
Deferred tax benefits not recognised (c)	266	1,217	853
Others	(24)	101	44
Income tax expense	3,525	4,122	3,777

(c) At the reporting date, deferred tax assets have not been recognised in respect of the unutilised tax losses because it is not probable that future taxable profit will be available against which the Pteris Group can utilise the benefits from.

The unutilised tax losses carried forward which are available to set-off against future taxable income, are subject to agreement by the tax authorities and compliance with tax regulations prevailing in the respective countries.

The tax credit relating to components of other comprehensive income is as follows:

	Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights		
	Before tax	**Tax charge**	**After tax**
	SGD'000	*SGD'000*	*SGD'000*
Year ended December 31, 2015	7,665	(1,007)	6,658
Year ended December 31, 2016	–	–	–
Year ended December 31, 2017	123	–	123

11 EXPENSES BY NATURE

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Cost of inventories	160,089	134,436	171,494
Subcontracting expenses	43,347	30,786	37,934
Loss on issuance of deferred shares *(Note 28(a))*	–	6,962	–
Employee benefit expenses *(Note 12)*	48,810	51,251	59,345
Amortisation of land use rights *(Note 14)*	425	327	365
Amortisation of intangible assets *(Note 17)*	1,015	792	1,952
Auditors fees	375	293	429
Depreciation of property, plant and equipment *(Note 15)*	5,639	6,646	7,064
Provision for impairment of trade receivables *(Note 22)*	1,662	3,581	1,108
Research and development expenses	1,914	3,451	6,757
Shipping fees	10,778	9,374	9,459
Entertainment expense	2,122	2,925	2,272
Transportation and travelling expense	2,141	3,151	6,681
Operating lease expense	1,585	1,517	1,554
Warranty	4,378	800	799
Bank settlement charges	473	716	1,339
Exhibition costs	223	290	374
Telephone and communication fee	200	174	365
Sales commission	1,528	1,994	1,084
Tax fee	2,011	1,890	2,587
Others	42,267	46,016	8,543
Total cost of sales, selling and distribution cost and general and administrative expenses	330,982	307,372	321,505

12 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Salaries, wages and welfare	37,012	40,984	49,078
Pension, housing fund, medical insurance and other social insurances	11,798	10,346	10,331
	48,810	51,330	59,409
Less: employee benefits capitalized	(241)	(79)	(64)
	48,569	51,251	59,345

During the years ended December 31, 2015, 2016 and 2017, (i) the directors of Pteris receive fee or other emoluments in respect of their services to the Pteris Group amounting to SGD168,000, SGD347,000 and SGD323,000; (ii) none of the directors of Pteris waived any emoluments paid or payable by the Pteris Group; (iii) no emoluments were paid by the Pteris Group to the directors as an inducement to join or upon joining the Pteris Group or as compensation for loss of office.

(a) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs during the years ended December 31, 2015, 2016 and 2017.

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during years ended December 31, 2015 and 2016 and 2017.

(c) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director during the years ended December 31, 2015 and 2016 and 2017.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2015 and 2016 and 2017.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to Pteris Group's business to which Pteris was a party and in which a director of Pteris had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time.

13 DIVIDENDS

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Final dividend paid in respect of the previous financial year profit of 1.00 cents per share	–	3,854	–

The dividend of SGD1.00 cents per share in respect of the net profit for the year ended December 31, 2015, amounting to a total dividend of SGD3,854,000 was approved at the Pteris's shareholders meeting on 25 April 2016. Such dividend was paid to shareholders on 6 May 2016.

14 LAND USE RIGHTS

The Pteris Group's interests in land use rights represent prepaid operating lease payments and their net book value is analyzed as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Cost			
At beginning of the year	15,742	16,457	15,663
Additions	5,049	–	735
Transfer to investment properties	(4,395)	–	–
Currency translation differences	61	(794)	(266)
At end of the year	16,457	15,663	16,132
Accumulated amortisation			
At beginning of the year	1,411	1,176	1,305
Amortisation of land use rights	425	327	365
Transfer to investment properties	(666)	–	–
Currency translation differences	6	(198)	(22)
At end of the year	1,176	1,305	1,648
Net book value	15,281	14,358	14,484

The lease periods of land use rights are 50 years starting from the date of grant and are located in the PRC.

Amortisation of land use rights has been charged to the consolidated statement of profit or loss (Note 11) as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Cost of sales	141	183	191
General and administrative expenses	284	144	174
	425	327	365

15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings SGD'000	Machinery and equipment SGD'000	Motor vehicles SGD'000	Office and other equipment SGD'000	Construction in progress SGD'000	Total SGD'000
Cost						
As at January 1, 2015	66,369	4,883	1,065	4,652	33,270	110,239
Currency translation differences	(1,140)	(300)	(180)	(91)	(44)	(1,755)
Additions	18,027	5,254	604	7,029	22,500	53,414
Disposals and write-offs	–	(524)	(578)	(2,727)	–	(3,829)
Acquisition of a subsidiary *(Note 35(ii))*	12	12	–	11	–	35
Transfers out from construction in progress	42,698	6,988	–	–	(49,686)	–
Transfer to investment properties	(39,087)	–	–	–	–	(39,087)
Transfer to assets held for sale *(Note 25)*	(2,956)	(643)	–	(110)	–	(3,709)
As at December 31, 2015	83,923	15,670	911	8,764	6,040	115,308
Accumulated depreciation						
As at January 1, 2015	3,224	1,636	518	2,307	–	7,685
Currency translation differences	(380)	(561)	12	56	–	(873)
Depreciation charge	4,055	875	185	524	–	5,639
Disposals and write-offs	–	(524)	(470)	(2,688)	–	(3,682)
Transfer to investment properties	(2,068)	–	–	–	–	(2,068)
Transfer to assets held for sale *(Note 25)*	(142)	(309)	–	(40)	–	(491)
As at December 31, 2015	4,689	1,117	245	159	–	6,210
Net book value						
As at December 31, 2015	79,234	14,553	666	8,605	6,040	109,098
Cost						
As at January 1, 2016	83,923	15,670	911	8,764	6,040	115,308
Currency translation differences	(2,357)	(663)	(55)	(452)	(238)	(3,765)
Additions	1,693	1,326	73	1,071	12,524	16,687
Disposals and write-offs	(13)	(1,583)	(65)	(169)	–	(1,830)
Transfers out from construction in progress	16,449	–	11	1,069	(17,529)	–
Transfer to investment properties	(84)	–	–	–	–	(84)
As at December 31, 2016	99,611	14,750	875	10,283	797	126,316

	Land and buildings SGD'000	Machinery and equipment SGD'000	Motor vehicles SGD'000	Office and other equipment SGD'000	Construction in progress SGD'000	Total SGD'000
Accumulated depreciation						
As at January 1, 2016	4,689	1,117	245	159	–	6,210
Currency translation differences	(276)	(144)	(28)	(37)	–	(485)
Depreciation charge	3,291	1,353	258	1,744	–	6,646
Disposals and write-offs	–	(1,558)	(55)	(153)	–	(1,766)
As at December 31, 2016	7,704	768	420	1,713	–	10,605
Net book value						
As at December 31, 2016	91,907	13,982	455	8,570	797	115,711
Cost						
As at January 1, 2017	99,611	14,750	875	10,283	797	126,316
Currency translation differences	(1,713)	(891)	(27)	(193)	(14)	(2,838)
Additions	1,845	1,712	361	2,563	1,796	8,277
Disposals and write-offs	(263)	(92)	(68)	(61)	–	(484)
Transfers out from construction in progress	21	352	–	–	(373)	–
Transfer to investment properties	(2,032)	–	–	–	–	(2,032)
Acquired from acquisition *(Note 35(iii))*	–	–	–	39	–	39
As at December 31, 2017	97,469	15,831	1,141	12,631	2,206	129,278
Accumulated depreciation						
As at January 1, 2017	7,704	768	420	1,713	–	10,605
Currency translation differences	(145)	(52)	(17)	(91)	–	(305)
Depreciation charge	3,563	1,335	165	2,001	–	7,064
Disposals and write-offs	(155)	(75)	(68)	(60)	–	(358)
Transfer to investment properties	(605)	–	–	–	–	(605)
As at December 31, 2017	10,362	1,976	500	3,563	–	16,401
Net book value						
As at December 31, 2017	87,107	13,855	641	9,068	2,206	112,877

Depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss (Note 11) as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Cost of sales	640	2,846	3,404
Selling and distribution costs	12	36	41
General and administrative expenses	4,987	3,764	3,619
	5,639	6,646	7,064

Construction in progress as at each reporting date mainly comprises capital expenditures incurred for the construction of new factories in the PRC. The amount transferred out from the construction-in-progress mainly represents construction of part of buildings and production lines related to the new factories have been completed and such buildings and production lines have already been put in use.

The amount of borrowing cost capitalised is part of cost in relation to the construction of new factory was SGD899,000 with a capitalisation rate of 5.4% respectively for the year ended December 31, 2015.

There were no borrowing cost capitalised for the years ended December 31, 2016 and 2017.

At December 31, 2015, 2016 and 2017, the Pteris Group was in the process of applying for the property rights certificates in respect of buildings in People's Republic of China with carrying amounts of SGD38,856,000, SGD37,385,000 and SGD35,559,000.

16 INVESTMENT PROPERTIES

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
At fair value			
At beginning of the year	–	48,316	48,844
Currency translation differences	(97)	(561)	(228)
Net gains from fair value adjustment *(Note 8)*	–	1,005	216
Transfer from property, plant and equipment	37,019	84	1,427
Transfer from land use rights	3,729	–	–
Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights	7,665	–	123
At end of the year	48,316	48,844	50,382

(a) Amounts recognised in profit or loss for investment properties

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Rental income *(Note 7)*	3,721	5,238	4,473
Direct operating expenses from property that generated rental income	634	586	716

At each of the reporting date, the details of the Pteris Group's investment properties are as follows:

Location	Description/existing use	Tenure
28 Quality Road, Singapore	A storey of office space of a 3-storey office building	30-years lease from June 1, 2007 with an option to renew for another 30 years
No. 9 Fuyuan 2nd Road, Fuyong, Baoan District, Shenzhen City, China	A single storey factory building	50-years from December 31, 2009

As at December 31, 2015 and 2016 and 2017, the Pteris Group had no unprovided contractual obligations for future repairs and maintenance.

The Pteris Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through rent or sale. The Pteris Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 26).

Valuation of the Pteris Group's investment properties was performed by independent professional valuers, to determine the fair value of the investment properties. As at December 31, 2015 and 2016 and 2017, the revaluation gains or losses is included in "Other gains/(losses) – net" in the consolidated statement of profit or loss (Note 8). The following table analyses the investment properties carried at fair value, by valuation method.

(b) Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	SGD'000	*SGD'000*	*SGD'000*
December 31, 2015			
– Office building – Singapore	–	–	33,972
– Land use rights and factory building – China	–	–	14,344
December 31, 2016			
– Office building – Singapore	–	–	34,568
– Land use rights and factory building – China	–	–	14,276
December 31, 2017			
– Office building – Singapore	–	–	36,134
– Land use rights and factory building – China	–	–	14,248

(c) Valuation techniques used to derive Level 3 fair values

Level 3 fair values of the Pteris Group's investment properties have been generally derived using the sales comparison approach and income approach. For sales comparison approach, sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square metre. For income approach, rental of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is rent growth rate and discount rate.

The Pteris Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers into or out of fair value hierarchy levels.

(d) Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Office building – Singapore	Direct comparison approach	Estimated market value per square metre	The higher the adjusted estimated market value, the higher the fair value
Land use rights and factory building – China	Income approach	Rental growth rate and discount rate	The higher the rental growth rate, the higher the fair value. The lower the discount rate, the higher the fair value

The direct comparison approach involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in the respective countries. Necessary adjustments have been made for the differences in location, tenure, size, shape, design and layout, age and condition of buildings, date of transactions and the prevailing market and prevailing condition amongst other factors affecting their values.

(e) Valuation processes of the Pteris Group

The Pteris Group engages external, independent and qualified valuers to determine the fair value of the Pteris Group's properties at the end of every financial year based on the properties' highest and best use.

The finance department of the Pteris Group includes a team that performs the valuations of investment properties required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter, in line with the Pteris Group's quarterly reporting dates.

At each financial year end the finance department:

– verifies all major inputs to the independent valuation report;

– assesses property valuation movements when compared to the prior year valuation report; and

– holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

17 INTANGIBLE ASSETS

	Goodwill	Software	Operating rights for automated parking system	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Cost				
As at January 1, 2015	23,662	721	2,111	26,494
Adjustment (a)	(1,580)	–	–	(1,580)
Additions	–	203	12,044	12,247
Currency translation differences	3	6	8	17
As at December 31, 2015	22,085	930	14,163	37,178
Accumulated amortisation				
As at January 1, 2015	–	325	–	325
Amortisation	–	92	923	1,015
Currency translation differences	–	3	–	3
As at December 31, 2015	–	420	923	1,343
Net book value				
As at December 31, 2015	22,085	510	13,240	35,835

(a) In April 2015, the Pteris entered into an agreement with one of its suppliers to reduce the payable amount by SGD1,580,000 which adjusted the goodwill by the same amount.

	Goodwill	Software	Operating rights for automated parking system	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Cost				
As at January 1, 2016	22,085	930	14,163	37,178
Additions	–	32	–	32
Cost adjustment (a)	–	–	(1,565)	(1,565)
Currency translation differences	(15)	(36)	(554)	(605)
As at December 31, 2016	22,070	926	12,044	35,040
Accumulated amortisation				
As at January 1, 2016	–	420	923	1,343
Amortisation	–	84	708	792
Currency translation differences	–	(17)	(38)	(55)
As at December 31, 2016	–	487	1,593	2,080
Net book value				
As at December 31, 2016	22,070	439	10,451	32,960

(a) In August 2016, tax bureau determined that the deduction of input value-added tax during construction period was allowed.

	Goodwill	Software	Operating rights for automated parking system	Patents	Development costs	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Cost						
As at January 1, 2017	22,070	926	12,044	–	–	35,040
Additions	–	225	–	10,051	1,671	11,947
Arising from acquisition *(Note 35(iii))*	2,786	–	–	1,405	–	4,191
Currency translation differences	1	(17)	(204)	4	–	(216)
As at December 31, 2017	24,857	1,134	11,840	11,460	1,671	50,962
Accumulated amortisation						
As at January 1, 2017	–	487	1,593	–	–	2,080
Amortisation	–	93	689	1,170	–	1,952
Currency translation differences	–	(9)	(25)	3	–	(31)
As at December 31, 2017	–	571	2,257	1,173	–	4,001
Net book value						
As at December 31, 2017	24,857	563	9,583	10,287	1,671	46,961

Amortisation of intangible assets has been charged to the consolidated statement of profit or loss (Note 11) as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Cost of sales	935	708	728
General and administrative expenses	80	84	1,224
	1,015	792	1,952

(a) Goodwill

(i) Impairment tests for goodwill

Goodwill acquired in a business combination is allocated to the following cash-generating unit ("CGU") that are expected to benefit from that business combination.

The carrying amounts of goodwill allocated to each CGU as follow:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Logistic System Business of Pteris Global Limited ("LSB-PGL")	21,681	21,681	21,681
Ground Support Equipment ("GSE")	404	389	382
Logistic System Business of Jinte ("LSB-Jinte")	–	–	2,794
	22,085	22,070	24,857

The recoverable amount of a CGU was determined based on its value-in-use and was determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU.

The recoverable amount of the CGUs was determined to be higher than its carrying amount and no impairment loss was recognised.

(ii) Key assumptions used for value-in-use calculations:

	As at December 31,		
	2015	**2016**	**2017**
LSB-PGL			
Budgeted revenue growth	11.4%-14%	21%	19%
Gross profit margin	25%-32%	23%-27%	22%-27%
Terminal value growth rate	3%	3%	2.4%
Discount rate	13%	13%	13.3%
GSE			
Budgeted revenue growth	14%	14%	14%
Terminal value growth rate	3%	3%	3%
Discount rate	13%	13%	13%

	2017
LSB-Jinte	
Gross profit margin	18%
Terminal value growth rate	3%
Discount rate	16%

– Budgeted revenue growth

The anticipated annual revenue growth included in the cash flow projections for each of the respective years are projected based on past experience, actual operating results and the future budgeted orders approved by management.

– Gross profit margin

The gross profit margins are projected based on past experience, actual historical operating results and the future budgets approved by management.

– Terminal value growth rate

The discounted cash flow model uses three or five years of cash flow forecasts. A long-term growth rate of 2.4% and 3% into perpetuity based on the terminal year's cash flows has been applied for LSB-PGL and LSB-Jinte CGUs respectively.

– Discount rate

The discount rate is a pre-tax measure bases on the risk-free rate for ten-year bonds issued by the government in the relevant market under the LSB-PGL and LSB-Jinte CGUs and one-year bank fixed deposit under the GSE CGU, all adjusted for risk premium to reflect both the increased risk of investing in equities and the systematic risk of the respective CGUs.

Besides the key assumptions above, management has also taken into account other assumptions including future revenue growth and staff cost inflation rate.

These assumptions are used for analysis of each CGU within the business segment.

(iii) Sensitivity analysis of the key assumptions used in LSB-PGL CGU

December 31, 2017

If the estimated gross margin, estimated terminal growth rate and estimated discount rate used in the value-in-use calculation had been 0.69% lower, 0.7% lower and 0.59% higher than management's estimates respectively, the recoverable would have been equal to the carrying amount.

December 31, 2016

If the estimated gross margin, estimated terminal growth rate and estimated discount rate used in the value-in-use calculation had been 0.42% lower, 0.61% lower and 0.53% higher than management's estimates respectively, the recoverable would have been equal to the carrying amount.

December 31, 2015

Management believes that any reasonable change in key assumptions used would not cause the carrying value of the CGU to materially exceed its recoverable amount.

(iv) Sensitivity analysis of the key assumptions used in GSE CGU

Management is of the view that any reasonable change in key assumptions used in the value in use calculation of GSE CGU will not result in material impact to the Historical Financial Information of the Pteris Group for the financial years ended December 31, 2015 and 2016 and 2017.

(v) Sensitivity analysis of the key assumptions used in LSB-Jinte CGU

Management is of the view that any reasonable change in key assumptions used in the value in use calculation of LSB-Jinte will not result in material impact to the Historical Financial Information of the Pteris Group for the financial year ended December 31, 2017.

(b) Operating rights for automated parking system

In 2015, the Pteris Group entered into a service concession agreement under a "Build-Operate-Transfer" model with a local hospital in Hubei and a real estate developer in Anhui, China, respectively. Under the terms of the agreements, they are operation models for the construction of an automated carpark system project ("Carpark System") which give the operating rights to the Pteris Group to recover its construction costs incurred by charging a fee to the users for using the Carpark System over the concession period. After the Pteris Group breaks even the construction costs for the Carpark System, the Pteris Group will continue to operate for 7 years before transferring the Carpark System to the hospital and the real estate developer respectively based on the agreements. The management expected to accomplish break even position in the sixth year.

The operating rights of the Carpark System are amortised over the concession period of 13 years. The Pteris Group will be responsible for any maintenance services required during the concession period. At the end of the concession period, the Carpark System will become the property of the hospital and the real estate developer and the Pteris Group will have no further involvement in its operation or maintenance requirements.

(c) Patent for aircraft ground air conditioning

On 21 February 2017, Pteris's subsidiary Shenzhen CIMC-Tianda Airport Support Limited bought a patent for aircraft ground air conditioning from third party Guangdong Jirong Air-conditioning Co., Ltd. at RMB48,880,000 (equivalent to SDG 9,975,000).

18 INTERESTS IN SUBSIDIARIES

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Unquoted equity investment, at cost	143,658	147,594	151,705
Impairment losses	(3,659)	(3,659)	(3,659)
	139,999	143,935	148,046
Loans to subsidiaries, at cost	5,606	5,520	6,016
Impairment of loan receivables	–	–	–
	145,605	149,455	154,062

Loans to subsidiaries are unsecured, interest-free, and settlement is neither planned nor likely to occur within the next 12 months. As these loans are, in substance, part of Pteris's net investment in the subsidiaries, they are stated at cost, less impairment losses.

Movements of Pteris's impairment loss of interests in subsidiaries were as follows:

	As at December 31, 2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
At beginning of the year	6,979	3,659	3,659
Written off against provisions	(3,320)	–	–
Impairment losses	–	–	–
At end of the year	3,659	3,659	3,659

The principal subsidiaries of the Pteris Group as at December 31, 2015 and 2016 and 2017 are disclosed below.

At December 31, 2015, 2016 and 2017, Pteris had direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation	Principal activities	Registered/ Issued and paid up capital	*Note*	Percentage of shareholding held by the Pteris Group as at 2015	2016	2017
Inter-Roller Investments Pte. Ltd.	Singapore, 29 June 1982	Investment holding	SGD1,000,002	(a)	100%	100%	100%
Inter-Roller Engineering Services Pte. Ltd.	Singapore, 12 January 1990	Infrastructural engineering and maintenance services	SGD1,500,000	(a)	100%	100%	100%
Pteris Global (Singapore) Pte. Ltd. (formerly known as Pteris Pte. Ltd.)	Singapore, 22 January 1993	Investment holding	SGD300,000	(a)	100%	100%	100%
AeroMobiles Pte. Ltd.	Singapore, 16 April 2003	Manufacture and repair of airport ground support equipment	SGD1,000,000	(a)	100%	100%	100%
Pteris Global Sdn. Bhd.	Malaysia, 8 November 1995	Manufacture of airport logistics system and equipment	MYR8,000,000	(c)	100%	100%	100%
CIMC Pteris Middle East LLC (formerly known as IR (Middle East) LLC)	United Arab Emirates, 24 August 2004	Engineering works	AED300,000	(h)	100%	100%	100%
Pteris Global (Beijing) Ltd.	People's Republic of China, 11 April 2005	Engineering works and after sales services	USD3,320,000	(d)	100%	100%	100%
Pteris Global (Suzhou) Ltd.	People's Republic of China, 17 September 2007	Design and manufacture of airport logistics system	USD4,000,000	(e)	100%	100%	100%
Pteris Global (India) Pte Ltd.	India, 22 October 2010	Supply and maintenance of airport logistics system and equipment	INR100,000	(f)	100%	100%	100%
Pteris Global (Thailand) Pte Ltd.	Thailand, 15 March 2012	Supply and maintenance of airport logistics systems and equipment	THB1,000,000	(h)	100%	100%	100%
Pteris Global (USA) Inc.	United States of America, 23 September 2008	Supply and maintenance of airport logistics systems and equipment	USD100,000	(h)	100%	100%	100%
Pteris Global (Canada) Inc.	Canada, 11 August 2008	Supply and maintenance of airport logistics systems and equipment	CAD100	(h)	100%	100%	100%
Shenzhen CIMC-Tianda Airport Support Limited ("TianDa")	People's Republic of China, 18 July 1992	Manufacture and sales of airport equipment, materials handling systems and automated parking systems	USD13,500,000	(b)	70%	70%	70%

Name	Place and date of incorporation	Principal activities	Registered/ Issued and paid up capital	Note	Percentage of shareholding held by the Pteris Group as at 2015	2016	2017
Xinfa Airport Equipment Ltd.	People's Republic of China, 3 December 1997	Manufacture and sale of ground support equipment	RMB25,000,000	(l)	49%*	49%*	49%*
CIMC-Tianda Airport Support (Hong Kong) Limited	People's Republic of China, 23 May 2013	Sale and distribution of passenger boarding bridge and ground support equipment	HKD1,000,000	(g)	70%	70%	70%
Shenzhen CIMC Intralogistics Systems Co., Ltd.	People's Republic of China, 18 April 2013	Planning, consultancy, development, design, production and integration of material handling system	RMB60,000,000	(g)	70%	70%	70%
Langfang CIMC Airport Support Ltd.	People's Republic of China, 25 February 2014	Manufacture and sale of automated parking system, material handling system and ground support equipment, rental of factories and property management	RMB10,000,000	(g)	70%	70%	70%
Kunshan CIMC Logistic Automation Equipment Co., Ltd.	People's Republic of China, 7 May 2014	Design, development, integration, information, consultancy, systems engineering and equipment planning for material handling system	RMB80,000,000	(g)	70%	70%	64%
CIMC-Tianda (Longyan) Investment Development Co. Ltd.	People's Republic of China, 23 April 2014	Investment and asset management in parking lot business	RMB20,000,000	(g)	42%*	42%*	42%*
Techman (Hong Kong) Limited	Hong Kong, 22 February 2008	Investment holding	HKD450,748,992	(h)	100%	–	–
CIMC Air Marrel SAS	France, 10 December 2013	Manufacturing and exporting ground support equipment	EUR1,200,000	(b)	100%	100%	100%
Tianda-Rus Ltd.	Russia, 12 August 2015	Sale of airport equipment and material handling system	RUB10,000	(h)	70%	70%	70%
Shenzhen CIMC Tianda Jirong Aviation Air-conditioning Co., Ltd.	People's Republic of China, 9 January 2017	Research and development of air conditioning technology; sale of air conditioning equipment	RMB50,000,000	(i)	–	–	49%
Shenzhen CIMC Autoparking System Co., Ltd.	People's Republic of China, 8 March 2017	Sale and technical service of automatic parking system and equipment, mechanical products, metal structural parts, self-produced products and agent products	RMB30,000,000	(j)	–	–	70%
Zhengzhou Jinte Logistics Automation System Co. Ltd.	People's Republic of China, 11 November 2010	Sale, design and technical service of modern logistics automation system and high speed sorting systems	RMB20,000,000	(k)	–	–	64%
CIMC-TIANDA Netherlands Coöperatief U.A.	Netherlands, 4 December 2017	Airport equipment	EUR180,001	(m)	–	–	70%
CIMC Tianda USA. Inc.	USA, 22 September 2017	Airport equipment	USD1,000	(n)	–	–	70%

* Pteris maintains control over these entities as Pteris's subsidiary Shenzhen CIMC-Tianda Airport Support Limited owns majority shares of these entities.

Notes:

(a) The statutory financial statements were audited by PricewaterhouseCoopers LLP, Singapore for the years ended December 31, 2015, 2016 and 2017.

(b) The statutory financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP Shenzhen Branch and PricewaterhouseCoopers Audit, SA for the years ended December 31, 2015, 2016 and 2017.

(c) The statutory financial statements were audited by TY Teoh International, Malaysia for the years ended December 31, 2015, 2016 and 2017.

(d) The statutory financial statements were audited by Beijing Zhongyi Xincheng Accounting Firm Limited Company, People's Republic of China for the years ended December 31, 2015, 2016 and 2017.

(e) The statutory financial statements were audited by Suzhou Industrial Park Reliance Certified Public Accountants Co., Ltd., People's Republic of China for the years ended December 31, 2015, 2016 and 2017.

(f) The statutory financial statements were audited by Mahendra Tiwan & Co., Ltd., India for the years ended December 31, 2015, 2016 and 2017.

(g) The statutory financial statements were audited by Pan-China Certified Public Accountants LLP, People's Republic of China for the years ended December 31, 2015, 2016 and 2017.

(h) Not required to be audited.

(i) On 9 January 2017, Shenzhen CIMC-Tianda Airport Support Limited set up Shenzhen CIMC Tianda Jirong Aviation Air-conditioning Co., Ltd. ("TD Jirong") with a third party. Shenzhen CIMC-Tianda Airport Support Limited holds 70% equity interest of TD Jirong. The third party invested 30% of TD Jirong with a consideration of RMB15,000,000 (equivalent to SGD3,102,000). The 30% investment held by the third party was included in the non-controlling interest of the Pteris Group.

(j) Shenzhen CIMC Autoparking System Co., Ltd. is newly incorporated in the People's Republic of China and is wholly owned by TianDa in March 2017.

(k) In June 2017, the Pteris Group, through its subsidiary TianDa, acquired Zhengzhou Jinte Logistics Automation System Co. Ltd. (Note 35(iii)).

(l) The statutory financial statements were audited by Pan-China Certified Public Accountants LLP, People's Republic of China for the years ended December 31, 2015 and 2016.

(m) CIMC-TIANDA Netherlands Coöperatief U.A. is newly incorporated in Netherlands and is wholly owned by TianDa in December 2017.

(n) CIMC Tianda USA. Inc. is newly incorporated in Netherlands and is wholly owned by TianDa in September 2017.

(a) Material non-controlling interests

Set out below are the summarised financial information for TianDa and its subsidiaries ("TianDa Group"), as at December 31, 2015, 2016 and 2017 and for the years then ended as 30% equity interests of the TianDa Group represents material non-controlling interests to the Pteris Group. These are presented before inter-company eliminations.

	As at December 31,		
Summarised statement of financial position	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Current			
Assets	220,310	279,330	309,596
Liabilities	(209,424)	(227,435)	(266,154)
Total current net assets	10,886	51,895	43,442
Non-current			
Assets	132,426	137,074	150,538
Liabilities	(13,075)	(36,702)	(16,817)
Total non-current net assets	119,351	100,372	133,721
Net assets	130,237	152,267	177,163

	Year ended December 31,		
Summarised statement of profit or loss	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Revenue	247,734	236,927	248,139
Profit before income tax	24,463	30,881	25,148
Income tax expense	(3,159)	(3,693)	(2,930)
Profit after tax	21,304	27,188	22,218
Other comprehensive income	5,708	–	(1)
Total comprehensive income	27,012	27,188	22,217
Total comprehensive income allocated to non-controlling Interests	198	335	269

Summarised statement of cash flows	Year ended December 31, 2015	2016	2017
	SGD'000	SGD'000	SGD'000
Cash flows from operating activities			
Cash generated from operations	44,240	40,285	32,520
Income tax paid	(4,581)	(3,785)	(4,246)
Net cash generated from operating activities	39,659	36,500	28,274
Net cash used in investing activities	(50,752)	(14,577)	(17,116)
Net cash used in financing activities	(6,793)	(11,781)	(10,997)
Net (decrease)/increase in cash and cash equivalents	(17,886)	10,142	161

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2015	2016	2017
	SGD'000	SGD'000	SGD'000
Assets as per statements of financial position			
Loans and receivables:			
– Trade and other receivables excluding prepayments	187,084	205,797	208,155
– Pledged bank deposits	2,212	108	106
– Cash and cash equivalents	31,425	54,822	45,123
Fair value through the profit or loss:			
– Other financial assets	106	110	451
Total	220,827	260,837	253,835
Liabilities as per statements of financial position			
Financial liabilities at amortized cost:			
– Borrowings	21,281	22,145	23,086
– Trade and other payables excluding non-financial liabilities	149,771	171,416	163,721
Fair value through the profit or loss:			
– Other financial liabilities	442	1	–
Total	171,494	193,562	186,807

20 OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Quoted equity securities designated at fair value through profit or loss	106	110	266
Derivative financial assets	–	–	185
	106	110	451
Derivative financial liabilities	442	1	–

Quoted equity securities related to investment in a company listed on Singapore Exchange. The fair value of the investment is determined based on the quoted price at reporting dates.

Derivative financial instruments represent United States Dollar/Chinese Renminbi and Euro/Chinese Renminbi currency forwards used to manage the exposure from receivables from sales of goods and committed purchase of inventories in foreign currencies. The contracted notional principal amount of the derivatives outstanding at the end of December 31, 2015, 2016 and 2017 are SGD16,639,000, SGD1,695,000 and SGD9,587,000.

21 INVENTORIES

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Raw materials	10,590	12,473	12,252
Work in progress	35,636	46,033	85,225
Finished goods	903	614	3,440
Spare parts	2,687	2,989	5,890
	49,816	62,109	106,870
Less: provision for impairment	(2,045)	(2,210)	(2,262)
	47,771	59,899	104,545

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately SGD160,089,000, SGD134,436,000 and SGD171,494,000 for the years ended December 31, 2015, 2016 and 2017, respectively.

Movements on the Pteris Group's provision for impairment of inventories are as follows:

	Year ended December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
At beginning of the year	464	2,045	2,210
Provision for of inventories	1,549	1,077	–
Allowance utilised	–	(892)	–
Currency translation differences	32	(20)	52
At end of the year	2,045	2,210	2,262

22 TRADE AND OTHER RECEIVABLES

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Trade receivables due from third parties	175,269	198,770	193,698
Trade receivables due from related parties *(Note 36)*	5,917	1,096	2,657
Bills receivables	1,084	3,382	3,215
Retention on construction contracts *(Note 23)*	6,031	4,156	5,788
Total trade receivables	188,301	207,404	205,358
Less: provision for impairment of trade receivables	(11,422)	(11,470)	(11,827)
Total trade receivables – net	176,879	195,934	193,531
Amounts due from related parties *(Note 36)*	50	225	3,663
Other receivables	6,077	3,442	6,496
Less: provision for impairment of other receivables	(487)	(486)	(486)
Total other receivables – net	5,590	2,956	6,010
Deposits	4,031	5,967	3,807
Prepayments	10,939	18,482	16,516
Advances to staff	534	715	1,144
Total prepayments and other receivables	21,144	28,345	31,140
	198,023	224,279	224,671

Amounts due from related parties and advances to staff are unsecured, interest-free, and repayable on demand.

As at December 31, 2015, 2016 and 2017, the fair value of trade and other receivables of the Pteris Group, except for prepayments which are not financial assets, approximated their carrying amounts.

The credit period granted to third parties and the related parties are ranging from 30 to 180 days. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at December 31, 2015, 2016 and 2017, was as follows:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Trade receivables – gross			
– Within 90 days	69,370	124,691	105,127
– 91 to 180 days	30,119	16,236	47,261
– 181 to 360 days	64,076	45,476	30,687
– Over 360 days	24,736	21,001	22,283
	188,301	207,404	205,358

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Pteris Group does not hold any collateral as security over these debtors as at December 31, 2015, 2016 and 2017.

As at December 31, 2015, 2016 and 2017, trade receivables of SGD57,628,000, SGD117,694,000 and SGD105,103,000, respectively, were fully performing.

As at December 31, 2015, 2016 and 2017, trade receivables of SGD101,525,000, SGD45,116,000 and SGD16,197,000, respectively, were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of debtors for whom there is no recent history of default. The aging analysis of these trade receivables past due but not impaired at respective statement of financial position dates is as follows:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Trade receivables – gross			
– Within 90 days	4,939	2,343	3,240
– 91 to 180 days	27,139	6,194	3,930
– 181 to 360 days	56,240	27,595	4,006
– Over 360 days	13,207	8,984	5,021
	101,525	45,116	16,197

As at December 31, 2015, 2016 and 2017, trade receivables of SGD29,148,000, SGD44,594,000 and SGD84,580,000, respectively, were impaired. The amount of the provision was SGD11,422,000, SGD11,470,000 and SGD11,827,000, respectively. The individually impaired receivables mainly relate to customers which are in difficult economic situations and management assessed that these receivables are unlikely to be fully recovered. The ageing of these receivables is as follows:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Trade receivables – gross			
– Within 90 days	–	–	24
– 91 to 180 days	3,805	11,399	42,348
– 181 to 360 days	10,252	18,208	25,679
– Over 360 days	15,091	14,987	16,007
	29,148	44,594	84,058

Movements on the Pteris Group's provision for impairment of trade receivables are as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
At beginning of the year	9,703	11,422	11,470
Provision for of receivables impairment	1,662	3,581	1,108
Allowance utilised	–	(3,081)	(596)
Currency translation differences	57	(452)	(155)
At end of the year	11,422	11,470	11,827

There was no significant movement in provision for impairment of other receivables.

As at December 31, 2015, 2016 and 2017, the carrying amounts of trade and other receivables (excluding prepayments) are denominated in the following currencies:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
SGD	5,934	8,374	4,327
USD	29,467	28,759	31,263
RMB	126,518	136,652	135,654
EUR	15,220	25,386	21,924
Others	9,945	6,626	14,987
	187,084	205,797	208,155

23 AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

The Pteris Group	As at December 31, 2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Aggregate costs incurred and profits recognised to date on uncompleted construction contracts	298,395	229,590	344,074
Less: Allowance for foreseeable losses	(1,849)	(1,807)	(2,545)
Less: Progress billings	(284,785)	(204,932)	(315,462)
	11,761	22,851	26,067
Presented as:			
Amounts due from contract customers	17,363	29,891	33,485
Amounts due to contract customers	(5,602)	(7,040)	(7,418)
	11,761	22,851	26,067
Retention on construction contracts included in trade receivables *(Note 22)*	6,031	4,156	5,788

24 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

The Pteris Group

	As at December 31, 2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Cash at bank and on hand	19,200	34,150	24,823
Cash at CIMC Finance Company	12,131	20,690	20,316
Short-term bank deposits	2,306	90	90
	33,637	54,930	45,229
Less: Pledged bank deposits	(2,212)	(108)	(106)
Cash and cash equivalents	31,425	54,822	45,123

Cash at CIMC Finance Company Ltd. refer to deposits placed with CIMC Finance Company Ltd. ("CIMC Finance Company"). CIMC Finance Company is a subsidiary of the ultimate holding company of the Pteris Group.

The carrying amounts of the cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
SGD	4,834	6,988	7,959
USD	9,944	9,531	2,191
RMB	15,399	25,320	25,500
EUR	1,061	1,594	4,318
Others	2,399	11,497	5,261
	33,637	54,930	45,229

25 ASSETS HELD FOR SALE

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Assets held for sale	3,218	–	–

The details of the Pteris Group's assets held for sale were as follows:

Name of property	**Description**	**Tenure of property**	**Site area** *sq.m.*	**Attributable interest**
Leasehold land and buildings in Malaysia	Industrial plot, built upon with several industrial buildings and ancillary structures	99-years lease from December 15, 1989	31,591	100%
Freehold land in Malaysia	Industrial plot, built upon with a warehouse	–	35,980	100%
Freehold land in Malaysia	Industrial land, cultivated upon with matured fruit trees	–	66,469	100%

Management has reclassified SGD3,218,000 of assets to held for sale at 31 December 2015. The sale was highly probable and was completed in 2016. No impairment loss was recognised as at 31 December 2015.

During the financial year ended December 31, 2016, the disposal of the assets held for sale was completed with the sales proceeds of approximately SGD6,499,000.

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the consolidated statements of financial position as follows:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Deferred tax assets:			
– to be recovered after more than 12 months	5,186	5,477	5,474
– to be recovered within 12 months	–	–	–
	5,186	5,477	5,474
Deferred tax liabilities:			
– to be recovered after more than 12 months	1,211	1,437	1,750
– to be recovered within 12 months	–	–	–
	1,211	1,437	1,750

The movement on the deferred income tax account is as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
At beginning of the year	4,020	3,975	4,040
Currency translation differences	40	(123)	(53)
Acquisition of subsidiary	245	–	11
Tax credit to profit or loss	677	188	(274)
Tax charge to other comprehensive income	(1,007)	–	–
At end of the year	3,975	4,040	3,724

As at December 31, 2015, 2016 and 2017, deferred income tax liabilities of SGD9,996,000, SGD13,312,000 and SGD15,179,000 have not been recognised for the withholding and other taxes that would be payable on the earnings of overseas subsidiaries when remitted to the holding company. These unremitted profits are permanently reinvested and amount to SGD99,964,000, SGD130,641,000 and SGD15,179,000 as at December 31, 2015, 2016 and 2017 respectively, and the Pteris Group does not intend to remit these unremitted earnings from the relevant subsidiaries to Pteris in the foreseeable future.

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Pteris Group has accumulated unrecognised tax losses and capital allowances of approximately SGD60,499,000, SGD65,961,000 and SGD72,853,000 as at December 31, 2015, 2016 and 2017 respectively, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

Movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Property, plant and equipment**	**Investment properties**	**Intangible assets**	**Other items**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
As at January 1, 2015	501	–	–	(252)	249
Charged/(credited) to profit or loss	(186)	–	–	155	(31)
Charged to other comprehensive income	1,007	–	–	–	1,007
Currency translation differences	(18)	–	–	4	(14)
At December 31, 2015	1,304	–	–	(93)	1,211
Charged to profit or loss	235	61	–	–	296
Currency translation differences	(32)	(38)	–	–	(70)
At December 31, 2016	1,507	23	–	(93)	1,437
Charged to profit or loss	(1)	32	(2)	176	205
Acquisition of subsidiary *(Note 35(iii))*	3	–	120	19	142
Currency translation differences	(16)	–	–	(18)	(34)
At December 31, 2017	1,493	55	118	84	1,750

Deferred tax assets	**Impairment losses**	**Provisions**	**Allowances for doubtful debts**	**Derivatives**	**Tax losses**	**Employee benefits payables**	**Accrued expenses**	**Other**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
As at January 1, 2015	109	1,731	1,283	(6)	121	1,031	–	–	4,269
Acquisition of subsidiary *(Note 35(ii))*	–	–	–	–	–	–	245	–	245
Credited/(charged) to profit or loss	–	421	176	73	221	(90)	(155)	–	646
Currency translation differences	1	10	8	(1)	(2)	10	–	–	26
At December 31, 2015	110	2,162	1,467	66	340	951	90	–	5,186
Credited/(charged) to profit or loss	–	(40)	537	(64)	110	(45)	(14)	–	484
Currency translation differences	(5)	(80)	(59)	(2)	(13)	(33)	(1)	–	(193)
At December 31, 2016	105	2,042	1,945	–	437	873	75	–	5,477
Acquisition of subsidiary *(Note 35(iii))*	–	–	–	–	153	–	–	–	153
Credited/(charged) to profit or loss	–	(265)	(373)	–	232	286	(75)	126	(69)
Currency translation differences	(2)	(33)	(34)	–	(6)	(12)	–	–	(87)
At December 31, 2017	103	1,744	1,538	–	816	1,147	–	126	5,474

27 SHARE CAPITAL

The Pteris Group	At December 31, 2015		At December 31, 2016		At December 31, 2017	
	Number of shares '000	*SGD'000*	*Number of shares '000*	*SGD'000*	*Number of shares '000*	*SGD'000*
Ordinary share, issued and fully paid:						
At beginning of the year	322,947	97,819	322,947	97,819	385,366	104,781
Deferred shares *(Note 35(i), Note a)*	–	–	62,419	6,962	–	–
At end of the year	322,947	97,819	385,366	104,781	385,366	104,781

Notes:

(a) As part of the reverse takeover of Pteris by the TianDa Group in 2014, Pteris agreed with its shareholders to fix the number of ordinary shares to be issued at 50,441,615 (Deferred Shares), as a contingent consideration. In April 2016, 62,418,551 shares were issued. Pteris recognised a loss on issuance of these Deferred Shares amounting to SGD6,962,000 in 2016 (Note 11).

28 RESERVES

	Other reserves						
	Surplus reserve	Other reserve	Assets revaluation reserve	Currency translation differences	Sub-total	Retained earnings	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At January 1, 2015	1,945	–	–	627	2,572	70,984	73,556
Profit for the year	–	–	–	–	–	13,210	13,210
Disposal of a subsidiary without loss of control *(Note b)*	–	22,063	–	–	22,063	–	22,063
Currency translation differences	–	–	–	(25)	(25)	–	(25)
Strike off of a subsidiary	–	–	–	(567)	(567)	567	–
Fair value uplift, net of tax arising from investment properties transferred from property, plant and equipment and land use rights	–	–	4,946	–	4,946	–	4,946
At December 31, 2015	1,945	22,063	4,946	35	28,989	84,761	113,750
At January 1, 2016	1,945	22,063	4,946	35	28,989	84,761	113,750
Profit for the year	–	–	–	–	–	14,901	14,901
Currency translation differences	–	–	–	(5,042)	(5,042)	–	(5,042)
Dividends declared	–	–	–	–	–	(3,854)	(3,854)
At December 31, 2016	1,945	22,063	4,946	(5,007)	23,947	95,808	119,755
At January 1, 2017	1,945	22,063	4,946	(5,007)	23,947	95,808	119,755
Profit for the period	–	–	–	–	–	17,586	17,586
Fair value uplift, net of tax arising from investment properties transferred from property, plant and equipment	–	–	123	–	123	–	123
Disposal of a subsidiary without loss of control *(Note c)*	–	992	–	–	992	–	992
Currency translation differences	–	–	–	(1,521)	(1,521)	–	(1,521)
At December 31, 2017	1,945	23,055	5,069	(6,528)	23,541	113,394	136,935

Notes:

(a) Surplus reserve comprises:

(i) General reserve fund

Pursuant to the Articles of Association of TianDa, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the People's Republic of China. The percentage for this appropriation was decided by the board of directors. This general reserve fund can be utilised in setting off accumulated losses or increasing capital and is non-distributable other than upon liquidation.

(ii) Enterprise expansion fund

Pursuant to the Articles of Association of TianDa, appropriations to enterprise expansion fund were made at a certain percentage of profit after taxation determined in accordance with accounting rules and regulations of the People's Republic of China. The percentage for this appropriation was decided by the board of directors. This enterprise expansion fund can be utilised in expansion of the enterprise and is non-distributable other than upon liquidation.

(b) In 2015, the Pteris Group completed the disposal of a 30% interest in TianDa for a cash consideration of SGD54,138,000. The carrying amount of the non-controlling interest in TianDa at the date of disposal was SGD32,075,000.

(c) In June 2017, the Pteris Group, through its subsidiary TianDa, acquired Zhengzhou Jinte Logistics Automation System Co., Ltd. (Note 35(iii)). According to the sale and purchase agreement, part of the purchase consideration was settled by a 8.03% equity interest in Kunshan CIMC Logistic Automation Equipment Co., Ltd.. The difference between the fair value of the 8.03% equity interest disposed amounting to SGD2,448,000 and its carrying amount of non-controlling interest acquired amounting to SGD1,456,000 at the date of acquisition was recognised in other reserve.

29 TRADE AND OTHER PAYABLES

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Current			
– Trade payables to third parties	59,962	82,179	89,089
– Trade payables to related parties *(Note 36)*	2,555	961	589
Total trade payables	62,517	83,140	89,678
– Amounts due to related parties *(Note 36)*	14,244	154	191
– Dividends payable *(Note a)*	15,357	14,939	14,827
– Staff salaries, bonuses and welfare payables	9,991	8,457	8,262
– Advances received	39,384	66,921	97,363
– Accruals and other payables	57,383	59,251	58,179
	198,876	232,862	268,500
Non-current			
– Advances	2,469	2,631	2,319
– Other payables	270	284	846
– Amounts due to ultimate holding company *(Note 36)*	–	13,648	–
	2,739	16,563	3,165

Notes:

(a) The dividends payable represent TianDa unpaid dividends to China International Marine Containers (Hong Kong) Ltd. ("CIMC-HK"), which were declared in the financial years of 2011 and 2013 and unpaid dividends to Beijing Bowei Airport support Co., Ltd., a non-controlling shareholder of Xinfa Airport Equipment Ltd. which were declared in the financial years of 2017.

Amounts due to ultimate holding company related to medium term notes ("MTN"), which are unsecured and with interest rate at 3.15% per annum. The MTN are denominated in RMB and maturity date is 22 August 2019. The MTN are paid off as at the end of November, 2017.

As at December 31, 2015, 2016 and 2017, all trade and other payables of the Pteris Group were non-interest bearing, and their fair value, except for those non-financial liabilities, approximate to their carrying amounts due to their short maturities.

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

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
0 - 60 days	23,660	26,957	23,824
61 - 120 days	16,019	24,057	31,218
121 - 240 days	12,920	18,012	24,507
Over 240 days	9,918	14,114	10,129
	62,517	83,140	89,678

The Pteris Group's trade and other payables are denominated in the following currencies:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
SGD	7,796	9,911	6,815
USD	20,100	10,747	15,438
RMB	171,337	186,002	218,878
EUR	166	10,010	9,634
Others	2,216	32,755	20,900
	201,615	249,425	271,665

30 BORROWINGS

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Non-current			
Bank borrowings, unsecured	1,277	9,849	–
Current			
Bank borrowings, unsecured	15,017	10,212	23,086
Loans from related parties, unsecured	4,987	2,084	–
	20,004	12,296	23,086
Total borrowings	21,281	22,145	23,086

(a) The weighted average interest rates per annum at each statement of financial position date were as follows:

	As at December 31,		
	2015	2016	2017
	%	%	%
Bank borrowings, unsecured	3.27%	2.66%	4.00%
Loans from related parties, unsecured	4.35%	5.23%	N/A

The interest rates for the bank loans outstanding at each statement of financial position date were arranged at variable interest rate and expose the Pteris Group to interest rate risk.

(b) The Pteris Group's borrowings at each statement of financial position date were repayable within 5 years and the repayment schedule is as follows:

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Within 1 year	20,004	12,296	23,086
Between 1 and 5 years	1,277	9,849	–
	21,281	22,145	23,086

(c) The exposure of the borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
6 months or less	8,512	8,129	6,380
6 – 12 months	11,492	4,167	16,706
1 – 5 years	1,277	9,849	–
	21,281	22,145	23,086

(d) The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant.

(e) The borrowings are denominated in the following currencies:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
USD	8,512	5,849	2,706
RMB	12,769	14,016	14,335
EUR	–	2,280	6,045
	21,281	22,145	23,086

(f) The Pteris Group has the following undrawn borrowing facilities:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Floating rate:			
– Expiring within one year	71,825	97,947	–
– Expiring beyond one year	–	–	16,249
Fixed rate:			
– Expiring within one year	–	–	40,958
	71,285	97,947	57,207

31 PROVISIONS

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Warranties *(Note a)*	16,340	14,854	13,877
Liquidated damages *(Note b)*	387	2,976	2,461
Others	537	532	–
	17,264	18,362	16,338

	Warranties	Liquidated damages	Others	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
As at January 1, 2015	13,836	386	646	14,868
Acquired in 2015 *(Note 35(ii))*	429	–	–	429
Currency translation differences	98	1	5	104
Provision made	6,716	–	–	6,716
Provision utilised	(2,401)	–	–	(2,401)
Provision reversed	(2,338)	–	(114)	(2,452)
At December 31, 2015	16,340	387	537	17,264
Currency translation differences	(480)	(4)	(5)	(489)
Provision made	4,273	2,701	–	6,974
Provision utilised	(1,806)	–	–	(1,806)
Provision reversed	(3,473)	(108)	–	(3,581)
At December 31, 2016	14,854	2,976	532	18,362
Currency translation differences	(185)	(10)	(35)	(230)
Provision made	4,500	–	–	4,500
Provision utilised	(1,650)	–	–	(1,650)
Provision reversed	(3,642)	(505)	(497)	(4,644)
At December 31, 2017	13,877	2,461	–	16,338

(a) Warranties

The Pteris Group and Pteris give generally one to two-year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns.

(b) Liquidated damages

In accordance with specific clauses of the construction contracts, the Pteris Group is obligated to compensate owners and/or main contractors for any project delays caused by the Pteris Group. The provision is based on formal claims received from owners and/or main contractors, and/or management's expectation and estimates of claims arising, using recent claim experience as a guide. The final outcomes of such claims could vary considerably from the best estimates.

32 DEFERRED INCOME

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Government grants	9,488	10,848	15,747

Deferred income related to:

(1) special funds from the Shenzhen Development and Reform Commission and Kunshan Zhang Pu Town People's Government to be used only in relation to the construction of the new factories; and

(2) government grant from Shenzhen Finance Committee (government related) to be used for the acquisition of certain equipment.

The grants are recognised initially as deferred income upon receipt and when there was reasonable assurance that the conditions associated with the grant could be complied with, they were recognised as other income over the useful life of the related asset.

33 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment, assets held for sale and non-current assets comprise:

	Year Ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
Properties, plant and equipment			
Net book amount disposed	88	64	281
(Losses)/gains on disposal of property, plant and equipment *(Note 8)*	(30)	91	(2)
Proceeds from disposal	58	155	279
Assets held for sale			
Net book amount disposed	–	3,218	–
Gains on disposal of assets held for sale *(Note 8)*	–	3,281	–
Proceeds from disposal	–	6,499	–
Non-current assets			
Net book amount disposed	–	10	–
Gains on disposal of non-current assets *(Note 8)*	–	1,640	–
Proceeds from disposal	–	1,650	–

(b) Reconciliation of liabilities arising from financing activities

	At January 1, 2015	Acquisition of subsidiaries	Currency translation difference	Principal movement	Non-cash changes	At December 31,2015
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Borrowings and amounts due to related parties for financing purpose	91,914	4,547	761	(53,455)	109	43,876

	At January 1, 2016	Currency translation difference	Principal movement	Non-cash changes	At December 31,2016
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Borrowings and amounts due to related parties for financing purpose	43,876	(1,349)	(12,991)	166	29,702

	At January 1, 2017	Currency translation difference	Principal movement	Non-cash changes	At December 31, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Borrowings and amounts due to related parties for financing purpose	29,702	(522)	(6,117)	23	23,086

Borrowings and amounts due to related parties for financing purpose includes the Pteris Group's borrowings amounting to SGD21,281,000, SGD22,145,000 and SGD23,086,000 for the financial years ended December 31, 2015, 2016 and 2017 respectively.

34 COMMITMENTS

(a) Capital commitments

Capital commitments contracted for at each statement of financial position dates but not yet incurred are as follows:

	As at December 31,		
	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
Construction of new factory premises			
– Approved by directors and contracted for	23,949	7,293	–
– Approved by directors and not contracted for	29,996	33,753	32,371
	53,945	41,046	32,371

(b) Operating lease commitments

The Pteris Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		
The Pteris Group	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
No later than 1 year	1,855	880	2,512
Later than 1 year and no later than 5 years	2,039	1,465	6,377
Later than 5 years	13,378	10,937	8,946
	17,272	13,282	17,835

(c) Operating leases rental receivables

The Pteris Group leases out leasehold buildings to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	As at December 31,		
The Pteris Group	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
No later than 1 year	4,796	4,728	5,741
Later than 1 year and no later than 5 years	10,817	7,500	8,217
Later than 5 years	9,166	7,123	5,632
	24,779	19,351	19,590

35 ACQUISITION

(i) 2015 Acquisition

In November 2015, Pteris completed the acquisition of CIMC Air Marrel SAS.

(a) Purchase consideration:

	November 2015
	At fair value
	SGD'000
Total purchase consideration	2,330

(b) Identifiable assets acquired and liabilities assumed of CIMC Air Marrel SAS:

	November 2015
	At fair value
	SGD'000
Cash and cash equivalents	937
Trade and other receivables	2,856
Inventories	5,399
Property, plant and equipment	35
Deferred income tax assets	245
	9,472
Trade and other payables	(6,388)
Provisions	(429)
Total identifiable net assets	2,655
Less: the excess of total identifiable net asset over the consideration	(325)
Total purchase consideration	2,330

(c) Effect on cash flows of the Pteris Group

	November 2015
	At fair value
	SGD'000
Cash paid (as above)	2,330
Less: Cash and cash equivalents in subsidiary acquired	(937)
Cash outflow on acquisition	1,393

(d) Acquisition related cost

Acquisition related cost of SGD15,000 were included in the other operating expenses in the consolidated statement of profit or loss and operating cash flows in the consolidated statement of cash flows.

(e) Revenue and profit contribution

CIMC Air Marrel SAS contributed revenue of SGD4,432,000 and net profit of SGD574,000 to the Pteris Group for the period from 1 November 2015 to 31 December 2015.

Had CIMC Air Marrel SAS been consolidated from 1 January 2015, consolidated revenue and consolidated profit for the financial year ended 31 December 2015 would have been SGD351,810,000 and SGD25,689,000 respectively.

(ii) 2017 Acquisition

In June 2017, TianDa, through its wholly owned subsidiary, Kunshan CIMC Logistics Automation Equipment Co., Ltd. ("Kunshan CIMC Automation Equipment"), acquired 100% equity interest of Zhengzhou Jinte Logistics Automation System Co., Ltd. ("Jinte"), a company engages in the sale, design and technical service of modern logistics automation system and high speed sorting systems. According to the sale and purchase agreement, the consideration for the acquisition consists of:

(1) Cash of RMB5,000,000 (SGD1,020,000);

(2) 8.03% equity interest of Kunshan CIMC Automation Equipment. The fair value of 8.03% equity interest was determined to be RMB12,000,000 (SGD2,448,000); and

(3) Contingent consideration of higher of RMB3,000,000 (SGD612,000) and 3% of Jinte's future sales in next three years.

Upon the completion of the 2017 Acquisition, Jinte became a 91.97%-owned subsidiary of TianDa, and 64%-owned subsidiary of Pteris. The identifiable assets, liabilities and contingent liabilities of Jinte were recognised and measured in the Historical Financial Information at their acquisition date fair values. The excess of fair value purchase consideration over the identifiable net assets of Jinte at fair value is recognised as goodwill in the consolidated statement of financial position.

The effects of the 2017 Acquisition are disclosed below.

(a) Purchase consideration:

	June 2017 **At fair value** *SGD'000*
Cash paid	1,020
8.03% equity interest of Kunshan CIMC Automation Equipment	2,448
Present value of contingent consideration *(Note (e))*	537
Total purchase consideration	4,005

(b) Identifiable assets acquired and liabilities assumed of Jinte:

	June 2017 At fair value *SGD'000*
Cash and cash equivalents	105
Trade and other receivables	91
Inventories	1,553
Property, plant and equipment	39
Intangible assets	1,405
Deferred income tax assets	153
	3,346
Trade and other payables	(1,856)
Tax payable	(129)
Deferred income tax liabilities	(142)
	(2,127)
Total identifiable net assets	1,219
Add:	
Goodwill	2,786
Total purchase consideration	4,005

(c) Effect on cash flows of the Pteris Group

Cash paid (as above)	1,020
Less: Cash and cash equivalents in subsidiary acquired	(105)
Cash outflow on acquisition	915

(d) Acquisition related cost

Acquisition related cost of SGD3,000 are included in the other operating expenses in the consolidated statement of profit or loss and operating cash flows in the consolidated statement of cash flows.

(e) Contingent consideration

Management assessed that the amount of contingent consideration payable by the Pteris Group would be RMB3,000,000 (SGD612,000) as management estimated that 3% of Jinte's future sales for the next three years would be less than RMB3,000,000. Accordingly, the management has estimated the present value of the contingent consideration to be SGD537,000 as at 31 December 2017 by discounting the future payments using the 3-year borrowing rate. The present value is recognised in trade and other payables of the consolidated statement of financial position as at 31 December 2017.

(f) The goodwill arising from the 2017 Acquisition is attributable to the synergies expected to be achieved from integrating Jinte's operations into Pteris Group's existing business.

(g) Revenue and profit contribution

Jinte contributed revenue of SGD434,044 and net loss of SGD923,532 to the Pteris Group for the period from 1 July 2017 to 31 December 2017.

Had Jinte been consolidated from 1 January 2017, consolidated revenue and consolidated loss for the financial period ended 31 December 2017 would have been SGD340,562,000 and SGD23,990,000 respectively.

36 RELATED-PARTY TRANSACTIONS

Pteris's immediate holding company is Sharp Vision Holdings Limited, incorporated in Hong Kong. The ultimate holding company is China International Marine Containers (Group) Ltd, incorporated in the People's Republic of China.

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between the Pteris Group and its related parties in the ordinary course of business during the years ended December 31, 2015 and 2016 and 2017 and balances arising from related party transactions as at December 31, 2015 and 2016 and 2017.

(a) The following transactions were carried out with the principal related parties:

Name of entities	**Relationship with the Pteris Group**
Ziegler Fire & Rescue Vehicle Sales & Service (Beijing) Co., Ltd.	Fellow subsidiary
CIMC Vehicles (Shandong) Co., Ltd.	Fellow subsidiary
CIMC-Shac(Xi'an) Special Vehicles Co., Ltd.	Fellow subsidiary
Shenzhen South CIMC Logistics Co., Ltd.	Fellow subsidiary
Gansu CIMC Huajun Vehicles Co., Ltd.	Fellow subsidiary
Jiaxing Zhongji Wood Industry Co., Ltd.	Fellow subsidiary
Ruiji Logistics (Wuhu) Co., Ltd.	Fellow subsidiary
Ningbo West Mark Trading Co., Ltd.	Fellow subsidiary
CIMC Financial Company Ltd	Fellow subsidiary
Shenzhen Southern CIMC Containers Services Co.,Ltd.	Fellow subsidiary
China International Marine Containers (Hong Kong) Co., Ltd.	Fellow subsidiary
Albert Ziegler GmbH	Fellow subsidiary
Tianjin CIMC Logistics Equipments Co., Ltd.	Fellow subsidiary
XinJiang CIMC Special Vehicles Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Special Vehicles Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd.	Fellow subsidiary
Dalian CIMC Logistics Equipment Co., Ltd.	Fellow subsidiary
Invengo Information Technology Co., Ltd.	Fellow subsidiary
CIMC Tianda Holding (Shenzhen) Co., Ltd.	Fellow subsidiary
CIMC Modular Building Systems Holding Co. Ltd.	Fellow subsidiary
Tender holdings Limited	Fellow subsidiary
CIMC Intermodal Development Co., Ltd.	Fellow subsidiary
CIMC Capital Ltd.	Fellow subsidiary
Shenzhen CIMC intelligent Technology Co., Ltd.	Fellow subsidiary
ShenZhen ZhongHong Equipment Technology Co., Ltd	Fellow subsidiary
Qingdao CIMC Reefer Trailer Co., Ltd.	Fellow subsidiary
CIMC Vehicles (Liaoning) Co., Ltd.	Fellow subsidiary
Beijing Bowei Airport support Co., Ltd.	A minority shareholder of a subsidiary
Shenzhen Tegemeng Technology Co., Ltd.	A minority shareholder
China Merchants Shekou Industrial Zone Co., Ltd.	Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company
China Fire Safety Enterprise Group Limited	An associate of ultimate holding company
China International Marine Containers (Group) Co., Ltd.	Ultimate holding company

(b) Transactions with related parties

	Year Ended December 31, 2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*
(i) Sales of goods and/or services to			
– Fellow subsidiaries	8,838	681	776
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	3,784	1,358
– A minority shareholder of a subsidiary	–	–	2
	8,838	4,465	2,136
(ii) Purchase of goods and/or services			
– Ultimate holding company	–	114	–
– Fellow subsidiaries	20,125	5,416	6,374
	20,125	5,530	6,374
(iii) Interest expense			
– Ultimate holding company	548	568	386
– Fellow subsidiaries	1,180	339	221
	1,728	907	607
(iv) Lease expense			
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	373	354	330
– Fellow subsidiaries	116	1	1
	489	355	331
(v) Interest income			
– Fellow subsidiaries	189	152	47
	189	152	47

	Year Ended December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
(vi) Key management compensation			
– Salaries, wages and bonuses	1,639	1,388	1,010
– Pension, housing fund, medical insurance and other social insurances	81	77	68
	1,720	1,465	1,078
(vii) Borrowings from related parties			
– Proceeds from			
– Ultimate holding company	10,011	13,683	–
– Fellow subsidiaries	29,594	25,073	17,407
	39,605	38,756	17,407
– Repayment to			
– Ultimate holding company	–	(13,683)	(13,414)
– Fellow subsidiaries	(55,447)	(41,976)	(19,455)
	(55,447)	(55,659)	(32,869)
(viii) Salary expense recharged to related parties			
– A fellow subsidiary	–	–	613

Outstanding balances at each statement of financial position date, arising from sale/purchase of goods and services, and terms disclosed in Notes 22 and 29 respectively.

The related party transactions as set out under (i) to (viii) above were carried out on terms mutually agreed between the parties. In the opinion of the directors of Pteris, these transactions are in the ordinary course of business of the Pteris Group and in accordance with the term of the underlying agreements.

(c) Balances with related parties:

Amounts due from related parties:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
(i) Trade and other receivables:			
– Fellow subsidiaries	5,967	1,321	3,060
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	–	3,149
– A minority shareholder of a subsidiary	–	–	3
– An associate of ultimate holding company	–	–	108
	5,967	1,321	6,320

Amounts due to related parties:

	As at December 31,		
	2015	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*
(i) Trade and other payables:			
– Ultimate holding company	14,244	13,802	–
– Fellow subsidiaries	2,555	961	606
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	-	-	28
– A minority shareholder of a subsidiary	-	-	146
– An associate of ultimate holding company	-	-	–
	16,799	14,763	780

37 Contingent Liabilities

During the year ended December 31, 2015, 2016 and 2017, there were no significant contingent liabilities assumed by the Pteris Group.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CIMC-TIANDA HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information of Shanghai Jindun Special Vehicle Equipment Co., Ltd. ("Jindun") and its subsidiary (together, the "Jindun Group") set out on pages II-4 to II-64, which comprises the consolidated and company statements of financial position as at December 31, 2015, 2016 and 2017 and October 31, 2018, 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 periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-64 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 25 March 2019 (the "Circular") in connection with the proposed acquisition of 100% of the equity interest in Jindun by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Jindun Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of the Jindun Group for the Track Record Period. The directors of Jindun are responsible for the preparation of the previously issued financial statements and management accounts of the Jindun Group in accordance with the relevant accounting principles generally accepted in its place of incorporation, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Jindun as at December 31, 2015, 2016 and 2017 and October 31, 2018 and the consolidated financial position of the Jindun Group as at December 31, 2015, 2016 and 2017 and October 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Periods in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Jindun Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the ten months ended October 31, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative 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 inquiries, 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 Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 March 2019

I HISTORICAL FINANCIAL INFORMATION OF THE JINDUN GROUP

Preparation of Historical Financial Information

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

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Historical Financial Information is presented in Renminbi Yuan ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Consolidated statements of comprehensive income

		Year ended December 31,			Ten months ended October 31,	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	140,829	258,835	301,707	204,447	261,647
Cost of sales	11	(94,733)	(149,890)	(178,198)	(127,996)	(159,526)
Gross profit		46,096	108,945	123,509	76,451	102,121
Other income	7	795	843	1,400	1,234	3,663
Selling and distribution expenses	11	(15,674)	(28,059)	(34,512)	(24,538)	(28,530)
General and administrative expenses	11	(24,229)	(32,231)	(41,095)	(31,833)	(38,051)
Net impairment losses on financial assets	4.2	(279)	279	(461)	(384)	(2,108)
Other gains/(losses) – net	8	582	251	(14)	17	(282)
Operating profit		7,291	50,028	48,827	20,947	36,813
Finance costs	9	(5,713)	(5,571)	(7,311)	(5,900)	(7,364)
Profit and total comprehensive income before income tax		1,578	44,457	41,516	15,047	29,449
Income tax credit/(expense)	10	6,700	(6,456)	(5,820)	(2,088)	(3,821)
Profit and total comprehensive income for the year/period		8,278	38,001	35,696	12,959	25,628

(b) Consolidated Statements of Financial Position

		As at December 31,			As at October 31,
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Land use rights	13	20,324	22,722	22,220	21,802
Property, plant and equipment	14	25,513	24,493	24,430	22,392
Intangible assets	15	95	43	3	–
Deferred income tax assets	22	6,700	932	1,302	2,339
		52,632	48,190	47,955	46,533
Current assets					
Inventories	18	72,210	66,370	72,474	63,662
Contract assets	19	14,925	21,117	38,176	33,993
Trade receivables	20	61,829	107,629	146,559	204,328
Other receivables	20	23,291	33,363	32,706	54,841
Prepayments	20	11,180	13,299	16,121	23,457
Pledged bank deposits	21	4,414	7,364	12,034	17,000
Cash and cash equivalents	21	24,043	44,444	49,056	8,104
		211,892	293,586	367,126	405,385
Total assets		264,524	341,776	415,081	451,918
EQUITY					
Equity attributable to owners of Jindun					
Registered capital	23	83,330	83,330	83,330	83,330
Reserves	24	(35,888)	2,113	37,809	53,196
Total equity		47,442	85,443	121,139	136,526

		As at December 31,			As at October 31,
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Deferred income	28	795	1,590	5,055	6,875
Current liabilities					
Contract liabilities	19	49,704	55,157	38,475	17,334
Trade and other payables	25	57,540	57,968	73,653	116,311
Borrowings	26	108,147	140,197	170,255	171,079
Provisions	27	896	732	792	1,210
Current income tax liabilities		–	689	5,712	2,583
		216,287	254,743	288,887	308,517
Total liabilities		217,082	256,333	293,942	315,392
Total equity and liabilities		264,524	341,776	415,081	451,918

(c) Statements of Financial Position

	Note	As at December 31, 2015 RMB'000	As at December 31, 2016 RMB'000	As at December 31, 2017 RMB'000	As at October 31, 2018 RMB'000
ASSETS					
Non-current assets					
Land use rights	13	20,324	22,722	22,220	21,802
Property, plant and equipment	14	25,513	24,493	24,430	22,392
Interests in a subsidiary	16	–	–	–	100
Intangible assets	15	95	43	3	–
Deferred income tax assets	22	6,700	932	1,302	2,339
		52,632	48,190	47,955	46,633
Current assets					
Inventories	18	72,210	66,370	72,474	63,662
Contract assets	19	14,925	21,117	38,176	33,993
Trade receivables	20	61,829	107,629	146,559	204,328
Other receivables	20	23,291	33,363	32,706	54,841
Prepayments	20	11,180	13,299	16,121	23,457
Pledged bank deposits	21	4,414	7,364	12,034	17,000
Cash and cash equivalents	21	24,043	44,444	49,056	8,006
		211,892	293,586	367,126	405,287
Total assets		264,524	341,776	415,081	451,920
EQUITY					
Registered capital	23	83,330	83,330	83,330	83,330
Reserves	24	(35,888)	2,113	37,809	53,198
Total equity		47,442	85,443	121,139	136,528

					As at
		As at December 31,			October 31,
		2015	2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Deferred income	28	795	1,590	5,055	6,875
Current liabilities					
Contract liabilities	19	49,704	55,157	38,475	17,334
Trade and other payables	25	57,540	57,968	73,653	116,311
Borrowings	26	108,147	140,197	170,255	171,079
Provisions	27	896	732	792	1,210
Current income tax liabilities		–	689	5,712	2,583
		216,287	254,743	288,887	308,517
Total liabilities		217,082	256,333	293,942	315,392
Total equity and liabilities		264,524	341,776	415,081	451,920

(d) Consolidated Statements of Changes in Equity

		Attributable to owners of Jindun				
	Note	Registered capital *RMB'000*	Capital reserves *RMB'000*	Surplus reserves *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*
Balance as at January 1, 2015		83,330	7,686	31	(51,883)	39,164
Comprehensive income						
– Profit for the year		–	–	–	8,278	8,278
Balance at December 31, 2015		83,330	7,686	31	(43,605)	47,442
Balance as at January 1, 2016		83,330	7,686	31	(43,605)	47,442
Comprehensive income						
– Profit for the year		–	–	–	38,001	38,001
Balance at December 31, 2016		83,330	7,686	31	(5,604)	85,443

		Attributable to owners of Jindun				
	Note	Registered capital *RMB'000*	Capital reserves *RMB'000*	Surplus reserves *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*
Balance as at January 1, 2017		83,330	7,686	31	(5,604)	85,443
Comprehensive income						
– Profit for the year		–	–	–	35,696	35,696
Appropriation of retained earnings to surplus reserve		–	–	2,733	(2,733)	–
Balance at December 31, 2017		83,330	7,686	2,764	27,359	121,139
Unaudited:						
Balance as at January 1, 2017		83,330	7,686	31	(5,604)	85,443
Comprehensive income						
– Profit for the period		–	–	–	12,959	12,959
Balance at October 31, 2017		83,330	7,686	31	7,355	98,402

		Attributable to owners of Jindun				
		Registered capital	Capital reserves	Surplus reserves	Retained Earnings	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at December 31, 2017		83,330	7,686	2,764	27,359	121,139
– Change in accounting policy	2.1.1	–	–	–	(1,856)	(1,856)
Balance as at January 1, 2018		83,330	7,686	2,764	25,503	119,283
Comprehensive income						
– Profit for the year		–	–	–	25,628	25,628
Transaction with owners						
– Contribution from the stakeholder	24	–	1,615	–	–	1,615
– Dividend paid to stakeholders	24	–	–	–	(10,000)	(10,000)
Balance at October 31, 2018		83,330	9,301	2,764	41,131	136,526

(e) Consolidated Statements of Cash Flows

		Year ended December 31,			Ten months ended October 31,	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flow from operating activities						
Profit before income tax		1,578	44,457	41,516	15,047	29,449
Adjustments for:						
Depreciation and amortisation		4,278	3,802	4,119	3,419	3,497
Impairment of financial assets		279	(279)	461	384	2,108
Impairment of inventory		73	234	9	7	385
Loss/(gain) on disposal of property, plant and equipment		4	(54)	(8)	(8)	–
Interest expense		5,713	5,571	7,311	5,900	7,364
Net foreign exchange (gains)/ losses		(440)	(296)	12	(19)	197
Operating profit before working capital changes		11,485	53,435	53,420	24,730	43,000
(Increase)/decrease in inventories		(11,786)	5,606	(6,113)	(13,842)	8,427
Increase in trade and other receivables		(27,404)	(66,865)	(63,287)	(43,423)	(92,316)
Increase/(decrease) in trade and other payables		36,934	7,364	7,493	(4,778)	11,826
Increase/(decrease) in provisions		181	(164)	60	–	418
Cash generated from/(used in) operations		9,410	(624)	(8,427)	(37,313)	(28,645)
Income tax paid		–	(688)	(6,190)	(2,534)	(4,532)
Net cash generated from/ (used in) operating activities		9,410	(1,312)	(14,617)	(39,847)	(33,177)

	Note	Year ended December 31, 2015 RMB'000	2016 RMB'000	2017 RMB'000	Ten months ended October 31, 2017 RMB'000 (unaudited)	2018 RMB'000
Cash flow from investing activities						
Repayment of borrowings by related parties		5,000	–	118,000	104,000	97,000
Additions to property, plant and equipment and intangible assets		(2,150)	(5,157)	(3,518)	(3,511)	(1,038)
Payment of borrowings to related parties		(5,000)	–	(118,000)	(104,000)	(97,000)
Proceeds from disposal of property, plant and equipment		1,946	83	12	12	–
Net cash flows used in investing activities		(204)	(5,074)	(3,506)	(3,499)	(1,038)
Cash flow from financing activities						
Proceeds of borrowings from related companies		16,000	110,000	147,750	147,750	170,000
Repayment of borrowings to related companies		(16,000)	(110,000)	(147,750)	(147,750)	(170,000)
Proceeds of borrowings from banks		205,999	140,000	180,000	170,000	174,350
Repayment of borrowings to banks		(207,999)	(108,000)	(150,000)	(140,000)	(174,350)
Interest paid		(5,746)	(5,509)	(7,253)	(5,145)	(6,540)
Net cash (used in)/generated from financing activities		(7,746)	26,491	22,747	24,855	(6,540)
Net increase/(decrease) in cash and cash equivalents		1,460	20,105	4,624	(18,491)	(40,755)
Cash and cash equivalents at beginning of the year/period		22,143	24,043	44,444	44,444	49,056
Exchange gains/(losses) on cash and cash equivalents		440	296	(12)	19	(197)
Cash and cash equivalents at end of the year/period	21	24,043	44,444	49,056	25,972	8,104

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shanghai Jindun Special Vehicle Equipment Co., Ltd. ("Jindun") was registered and domiciled in Shanghai city of the People's Republic of China on January 28, 2010. The address of its registered office is 1515 Lizheng Road, Shuyuan Town, Pudong New Area, Shanghai. Jindun's ultimate holding company is Shanghai Jindun Fire-Fighting Security Equipment Co., Ltd. ("Jindun Fire").

Jindun and its subsidiary (collectively "the Jindun Group") are principally engaged in research and development, manufacturing and sales of fire engines and firefighting equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Jindun Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), its amendments and interpretations issued by the HKICPA. The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Jindun Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

2.1.1 Change of accounting policies

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2018, are consistently applied to the Jindun Group for the Track Record Period, except for HKFRS 9.

HKFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted, and has been applied adopted throughout the Track Record Period.

(a) New and revised standards adopted

The Jindun Group has applied HKFRS 9 for the first time commencing January 1, 2018.

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures. The accounting policies were changed to comply with HKFRS 9.

In accordance with the transitional provision on HKFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

(i) Classification and measurement of financial instruments on adoption of HKFRS 9

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference
			RMB'000	*RMB'000*	*RMB'000*
Trade receivables	Amortised cost	Amortised cost	146,559	144,970	(1,589)
Contract assets	Amortised cost	Amortised cost	38,176	37,703	(473)
Cash and cash equivalents	Amortised cost	Amortised cost	49,056	49,056	–
Other receivables	Amortised cost	Amortised cost	32,706	32,584	(122)

There is no changes to the classification and measurement of financial liabilities.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Statements of financial position	**December 31, 2017 As originally presented**	**HKFRS 9 adjustment**	**January 1, 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	146,559	(1,589)	144,970
Contract assets	38,176	(473)	37,703
Other receivables	32,706	(122)	32,584

The adoption of HKFRS 9 *Financial Instruments* from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.10 below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The impact on the Jindun Group's equity as at January 1, 2018 is as follows:

	RMB'000
Closing retained earnings December 31, 2017 – HKAS 39	27,359
Increase in provision for trade receivables, contract assets and other receivables	(2,184)
Increase in deferred tax assets relating to impairment provision	328
Opening retained earnings January 1, 2018 – HKFRS 9	25,503

(ii) Impairment of financial assets

The Jindun Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model and have significant impact.

- Trade receivables and contract assets
- Other receivables

The Jindun Group was required to revise its impairment methodology under HKFRS 9. The impact of the change in impairment methodology on the Jindun Group's retained earnings and equity is disclosed in the table in note 24.

While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Jindun Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on January 1, 2018 by RMB1,589,000 for trade receivables and RMB473,000 for contract assets. The loss allowance increased from RMB1,658,000 to RMB3,839,000 for trade receivables and increased from RMB646,000 to RMB877,000 for contract assets for the ten months ended October 31, 2018.

Other receivables

The Jindun Group applies the HKFRS 9 three-stage approach to measuring ECL. There are three types of other receivables, including advances to staff, guarantee and deposit and advance payments on behalf of customers. Since advances to staff and guarantee and deposit are considered to be low risk, and therefore the impairment provision is determined as 12 months ECL. The adjustment of the loss allowance for advances to staff and guarantee and deposit on transition to HKFRS 9 is immaterial.

As for advance payments on behalf of customers to purchase chassis of the fire trucks, which will also be collected from customers, the directors of Jindun use the same ECL model as trade receivables for loss allowance. This resulted in an increase of the loss allowance on January 1, 2018 by RMB122,000 for other receivables. The loss allowance increased from RMB563,000 to RMB1,130,000 for other receivables for the ten months ended October 31, 2018. Note 4.2 provides for details about the calculation of the allowance.

(b) New and amended standards that have been issued but are effective for the financial year after January 1, 2018 and have not been early adopted by the Jindun Group

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred
HKFRS 16	Leases	January 1, 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
Annual Improvements projects	Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	January 1, 2020
Amendments to HKFRS 3	Definition of a business	January 1, 2020
Conceptual Framework for Financial Reporting 2018		January 1,2020
HKFRS 17	Insurance Contracts	January 1, 2021

The Jindun Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. So far the Jindun Group has identified no aspects of the new and revised standards and interpretations that are expected to have significant financial impact on the Jindun Group's performance and position.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable from the sale of fire engines and rendering of services in the ordinary course of the Jindun Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Jindun Group.

The Jindun Group assess its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Jindun Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria have been met for each of the activities, as described below.

Sale of goods

(a) Revenue recognised at a point in time

Sales of products are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provision have lapsed, or the Jindun Group has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with market practice. The Jindun Group doesn't recognise the warranty service as a separate performance obligation in a single contract as the warranty service is assurance type, and the Jindun Group's obligation to repair or replace faulty products under the warranty terms is recognised as a provision, see note 27.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Payment terms of the contract price normally comprises: (1) an advance of 20% of the total price received from the customer after the signing of the contract; (2) the second instalment of 60% of the total price received from the customer after the customer's acceptance of the products, and (3) the retention receivables of 20% of the total price will be recovered after the expiry of warranty period.

(b) Revenue recognised over time

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (1) customer simultaneously consumes the benefits as the entity performs, (2) 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 or, (3) entity's performance does not create an asset with alternative use and there is an enforceable right to payment for performance to date. When customers supply chassis and the Jindun Group refits the chassis to a fire truck with significant integration, related revenue is recognised over time as it meets the criteria 2. Revenue is recognised based on the actual service provided to the end of the Track Record Period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost. The customer pays based on a payment schedule. If the services rendered by the Jindun Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. The payment terms is the same as mentioned in Note 2.2(a).

(c) Transportation and handling cost

As the transportation and handling activities occur before the customer obtains control of related products, they are not separate performance obligation, therefore, related costs are fulfill cost which are recognised as assets following the adoption of HKFRS 15. The assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or service to which the assets relate. Due to the short period of transportation, related assets are not material at each financial position date in the Track Record Period. The transportation and handling costs of the Jindun Group are charged into the cost of sales in the Track Record Period.

(d) Sales commission fee

The Jindun Group capitalizes the sales commission fees as costs of obtaining a contract when they are incremental and are expected to be recovered following the adoption of HKFRS 15. They are amortised on a basis that are consistent with the pattern of revenue for the related contracts. Furthermore, the Jindun Group applies the practical expedient of HKFRS 15 that if the expected amortization period is one year or less, then the commission fee is expensed when incurred. The sales commission fees of the Jindun Group are charged into the selling and distribution cost in the Track Record Period.

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

HKFRS 15 Revenue from Contracts with Customers requires the presentation of any unconditional rights to consideration as a receivable separately from contract assets. The Jindun Group has therefore reclassified its contract assets and contact liabilities upon adoption of HKFRS 15.

- Contract assets recognised in relation to uncompleted fire truck contracts which related to revenue recognised over time;

- Contract assets recognised in relation to retention receivables which can be recovered after the expiry of warranty period, and were previously included in trade receivables;

- Contract liabilities in relation to advance received from customers, were previously included in trade and other payables.

(f) Financing components

The Jindun Group does not expect to have any contracts where the period between the transfer of the products to the customer and payment by the customer exceeds one year. As a consequence, the Jindun Group does not adjust any of the transaction prices for the time value of money.

Rendering of service

The service provided by the Jindun Group is mainly related to the service for applying fire truck license. Revenue from providing services is recognised when the license has been granted to the customers. Payment of the transaction price is due immediately when the license has been granted.

Principal versus Agent consideration

The Jindun Group is acting as an agent when the control over the specified goods remained with the suppliers before they are transferred to the customers, and at the situation the Jindun Group is not the primary obligator in supplying the underlying goods and doesn't have inventory risk and pricing discretion for the specified goods, the Jindun Group is providing an procurement service in such arrangement.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Jindun Group has control. The Jindun Group controls an entity when the Jindun Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Jindun Group. They are deconsolidated from the date on that control ceases.

In preparing the Historical Financial Information, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Jindun Group.

An entity shall attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The entity shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.4 Property, plant and equipment

(a) Measurement

(i) Buildings and leasehold improvement

Buildings are initially recognised at historical cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Leasehold improvement is initially recognised at historical cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) Depreciation

Assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	20 years
Motor vehicles	4 – 5 years
Machinery and equipment	10 years
Office and other equipment	5 years
Leasehold improvement	3 – 5 years

The residual values, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses) – net".

2.5 Intangible assets

(a) Measurement

Intangible assets including software license, are measured at cost less accumulated amortisation and accumulated impairment losses.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(c) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

2.6 Land use right

Land use right is up-front payments to acquire long-term interests in the usage of land and it is accounted for as an operating lease. It is stated at cost and charged to the consolidated statement of profit or loss over the remaining period of the lease on a straight-line basis, net of any impairment losses. Land use right is amortised on a straight line basis over the lease terms of 46 years.

2.7 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.8 Interests in subsidiary

Interests in subsidiary are carried at cost less accumulated impairment losses in Jindun's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible assets, Property, plant and equipment, Interests in subsidiary

Intangible assets, property, plant and equipment and Interests in subsidiary are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Financial assets

2.10.1 Classification

From January 1, 2018, The Jindun Group classifies its financial assets as at amortised cost.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Jindun Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Jindun Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2.10.4 Impairment

From January 1, 2018, the Jindun Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.2 details how the Jindun Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Jindun Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Jindun Group uses practical expedients when estimating lifetime expected losses, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivables and contract assets are outstanding.

For other receivables, the Jindun Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

2.10.5 Accounting policies applied until 31 December 2017

The Jindun Group has adopted HKAS 39 – Financial Instruments: recognition, classification and measurement to recognise and measure financial instruments in the years of 2015, 2016, 2017.

As permitted by the transactional provision of HKFRS 9, the Jindun Group elected not to restate comparative information. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. Consequently, for notes disclosures, the consequential amendments to HKFRS 7 disclosure have also only been applied to 2018.

Classification

Until 31 December 2017, the Jindun Group classified its financial assets as loans and receivables.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Subsequent measurement

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Impairment

(a) Assets carried at amortised cost

The Jindun Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Jindun Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Jindun Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Leases

(a) When the Jindun Group is the lessee

Lessee – Operating leases

The Jindun Group leases office under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) When the Jindun Group is the lessor

Lessor – Operating leases

The Jindun Group leases office under operating leases to related parties.

Lease of office where the Jindun Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Jindun Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost principle. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimate costs of completion and applicable variable selling expenses.

2.16 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Jindun Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 20 for further information about the Jindun Group's accounting for trade receivables and note 3 for a description of the Jindun Group's impairment policies.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on Interests in subsidiary, associated companies and joint ventures, except where the Jindun Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Jindun Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Provisions

Provisions for assurance type warranty are recognised when the Jindun Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Jindun Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Jindun Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2.20 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Jindun Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Jindun Group has no further payment obligations once the contributions have been paid.

(b) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Jindun Group recognises termination benefits at the earlier of the following dates: (a) when the Jindun Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.21 Segment reporting

The chief operating decision-maker ("CODM") has been identified as the chief executive officer ("CEO") of the Company. The CODM reviews the Jindun Group's internal reporting in order to assess performance and allocate resources.

2.22 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. For cash subjected to restriction, are shown within pledged bank deposits in current assets in the balance sheet.

2.23 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Jindun Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of Jindun.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance cost'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other gains – net '.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.24 Government grants

Government grants are transfer of monetary assets from the government to the Jindun Group at no consideration, including taxes refund and financial allowances.

A government grant is recognised initially as deferred income when the Jindun Group has received the grant, and will be recognised as other income when there is reasonable assurance that the conditions associated with the grant are fulfilled and the related expense occurred. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivables. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

2.25 Registered capital

Ordinary stakes are classified as equity. Incremental costs directly attributable to the issuance of new ordinary stakes are deducted against the registered capital account.

2.26 Dividends

Dividends to Jindun's stakeholders are recognised when the dividends are approved for payment.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Jindun Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Measurement of the impairment loss allowance

As from January 1,2018, the Jindun Group adopts the expected credit loss allowance for financial assets measured at amortised cost which is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appreciate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

Please refer to Note 4.2 Credit risk.

(b) Warranties

The Jindun Group and Jindun provide warranties on certain products and undertake to repair and replace items that fail to perform satisfactorily. Significant estimates are used by management to determine the amount of provision for warranties. In making these estimates, management has relied on past experience of the level of repairs and returns. Management is of the view that the provision for warranties is adequate at reporting dates. The details of provision are set out in Note 27.

(c) Impairment of inventory

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

4 FINANCIAL RISK MANAGEMENT

The Jindun Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Jindun Group's overall risk

4.1 Market risk

(a) Foreign currency risk

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

The carrying amounts of the Jindun Group's foreign currency denominated monetary assets and monetary liabilities as at December 31, 2015, 2016 and 2017 and October 31, 2018 are as follows:

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
United States dollars ("USD")	1,564	1,531	882	24,693

The Jindun Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Jindun Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Jindun Group's sensitivity to a reasonably possible change of 5% in exchange rate of each foreign currency against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period and adjusts their translation at each end of the reporting period for a 5% change in foreign currency rates.

As at December 31, 2015, 2016 and 2017 and October 31, 2018, if the exchange rates had increased/ decreased by 5% with all other variables including tax rate being held constant, the profit before tax for the year/period would have been lower/higher by RMB80,000, RMB76,000, RMB44,000 and RMB1,318,000.

	Increase/(decrease) in profit before tax for the year/period			
	Year ended December 31,			Ten months ended October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
If RMB strengthens against foreign currencies				
USD	(80)	(76)	(44)	(1,318)

	Increase/(decrease) in profit before tax for the year/period			
				Ten months ended
	Year ended December 31,			October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against foreign currencies				
USD	80	76	44	1,318

(b) ***Interest rate risk***

The Jindun Group's interest rate risk arises from bank borrowings and loans from bank. The Jindun Group's bank borrowings is carried at variable interest rate which expose the Jindun Group to cash flow interest rate risk. The Jindun Group has not entered into any interest rate swaps to hedge its exposure to interest rate risk.

As at December 31, 2015, 2016 and 2017 and October 31, 2018, if the interest rates had increased/decreased by 1% with all other variables including tax rate being held constant, the profit before tax for the year/period would have been lower/higher by RMB1,080,000, RMB1,400,000, RMB1,700,000 and RMB1,700,000, mainly as a result of higher/lower interest expense on these borrowings.

4.2 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, trade receivables, contract assets and other receivables.

The maximum exposure to credit risk represents the credit risk exposure to the Jindun Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. A summary of the maximum exposure to credit risk is as follows:

				As at
	As at December 31,			October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	24,043	44,444	49,056	8,104
Pledged bank deposits	4,414	7,364	12,034	17,000
Trade receivables	61,829	107,629	146,559	204,328
Other receivables	23,291	33,363	32,706	54,841
Contract assets	14,925	21,117	38,176	33,993
Total	128,502	213,917	278,531	318,266

(i) Risk management

For cash and cash equivalents, pledged bank deposits, the Jindun Group expects that there is no significant credit risk associated with, since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade receivables, contract assets and advance payments on behalf of customers, if the customers are independently rated, these ratings are used. Otherwise, credit risk is managed on a group basis if there is no independent rating. The Jindun Group has policies to limit the credit exposure on the receivables. The Jindun Group assess the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Jindun Group. In respect of customers with a poor credit history, the Jindun Group will use written payment reminders to ensure the overall credit risk of the Jindun Group is limited to a controllable extent.

For other receivables excluding advance payments on behalf of customers, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Jindun Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Jindun Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(ii) Impairment of financial assets

Trade receivables, contract assets and other receivables are subject to the ECL model. While cash and cash equivalents and pledged bank deposits, are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Jindun Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For the other receivables that related to advance payments on behalf of customers to purchase chassis, will also be collected from related customers, so the directors of Jindun consider use the same ECL as trade receivables for loss allowance assessment. For other receivables excluding advance payments on behalf of customers, the Jindun Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

Impairment of trade receivables, contract assets and advance payments on behalf of customers

The Jindun Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and advance payments on behalf of customers.

To measure the expected credit losses, trade receivables, contract assets and advance payments on behalf of customers have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before October 31, 2018 and January 1, 2018 respectively and the corresponding historical credit losses experienced within the Track Record Period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance as at October 31,2018 and January 1,2018 (on adoption of HKFRS 9) was determined as follows for trade receivables, contract assets and advance payments on behalf of customers.

October 31, 2018	**Current**	**Less than 1 year past due**	**1-2 years past due**	**2-3 years past due**	**More than 3 years past due**	**Total**
Expected loss rate	1%	2%	5%	15%	100%	
Gross carrying amount *(RMB'000)*	**144,711**	**114,485**	**19,268**	**3,404**	**636**	**282,504**
– Trade receivables	122,069	78,936	3,837	2,738	437	208,017
– Contract assets	22,642	7,193	4,170	666	199	34,870
– Advance payments on behalf of customers	–	28,356	11,261	–	–	39,617
Loss allowance *(RMB'000)*	**1,445**	**2,290**	**964**	**511**	**636**	**5,846**
– Trade receivables	1,220	1,579	192	411	437	3,839
– Contract assets	225	144	209	100	199	877
– Advance payments on behalf of customers	–	567	563	–	–	1,130

January 1, 2018	**Current**	**Less than 1 year past due**	**1-2 years past due**	**2-3 years past due**	**More than 3 years past due**	**Total**
Expected loss rate	1%	2%	5%	15%	100%	
Gross carrying amount *(RMB'000)*	**134,428**	**59,114**	**9,160**	**782**	**633**	**204,117**
– Trade receivables	109,132	29,852	7,480	674	433	147,571
– Contract assets	25,296	10,892	1,680	108	200	38,176
– Advance payments on behalf of customers	–	18,370	–	–	–	18,370
Loss allowance *(RMB'000)*	**1,348**	**1,182**	**458**	**117**	**633**	**3,738**
– Trade receivables	1,096	597	374	101	433	2,601
– Contract assets	252	218	84	16	200	770
– Advance payments on behalf of customers	–	367	–	–	–	367

No significant changes to estimation techniques or assumptions were made during the Track Record Period.

A default on trade receivables, contract assets and advance payments on behalf of customers is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

Trade receivables, contract assets and advance payments on behalf of customers are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Jindun Group. The Jindun Group categories a receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 36 months past due. Where receivables have been written off, the Jindun Group continues to engage in enforcement activity to attempt to recover the receivable due. Impairment losses on trade receivables, contract assets and advance payments on behalf of customers are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment of other receivables excluding advance payments on behalf of customers

The Jindun Group applies the HKFRS 9 three-stage approach to measuring ECL. The Jindun Group has two types of other receivables excluding advance payments on behalf of customers: 1) advances to staff; 2) guarantee and deposit. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. The directors of Jindun believe that the credit risk of advances to staff and guarantee and deposit is insignificant, and there is no significant increase of credit risk since initial recognised, therefore related loss allowance limited to 12 months ECL is immaterial.

The closing loss allowances for trade and other receivables, contract assets as at October 31, 2018 and December 31, 2017 reconcile to the opening loss allowances as follows:

	Trade receivables and other receivables and contract assets	
	2018	**2017**
	RMB'000	*RMB'000*
December 31 – calculated under HKAS 39	**1,554**	**1,093**
Amounts restated through opening retained earnings	2,184	–
Increase in loss allowance recognised in profit or loss during the year	2,108	461
October 31, 2018/December 31, 2017	**5,846**	**1,554**

Previous accounting policy for impairment of trade receivables and other receivables

In the prior years, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

The Jindun Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash. The Jindun Group categories a receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 36 months past due.

4.3 Liquidity risk

The Jindun Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Jindun Group's and Jindun's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each of the track record period to the respective contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Jindun Group and Jindun

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2015					
Bank borrowings (including interest payable upon maturity)	111,451	–	–	–	111,451
Trade and other payables excluding non-financial liabilities	49,412	–	–	–	49,412
Total	160,863	–	–	–	160,863
At December 31, 2016					
Bank borrowings (including interest payable upon maturity)	144,214	–	–	–	144,214
Trade and other payables excluding non-financial liabilities	51,184	–	–	–	51,184
Total	195,398	–	–	–	195,398
At December 31, 2017					
Bank borrowings (including interest payable upon maturity)	174,536	–	–	–	174,536
Trade and other payables excluding non-financial liabilities	57,480	–	–	–	57,480
Total	232,016	–	–	–	232,016

The Jindun Group and Jindun

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At October 31, 2018					
Bank borrowings (including interest payable upon maturity)	177,558	–	–	–	177,558
Trade and other payables excluding non-financial liabilities	93,529	–	–	–	93,529
Total	271,087	–	–	–	271,087

4.4 Capital risk management

The Jindun Group's objectives when managing capital are to safeguard the Jindun Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Jindun Group may adjust the amount of dividends paid to stakeholders or sell assets to reduce debt.

Management monitors capital through regular reviews to ensure adequate capital is maintained.

The Jindun Group is in compliance with externally imposed capital requirements for the Track Record Period.

5 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors of Jindun, whose members are responsible for allocating resources and assessing performance of the operating segments. The board of directors of Jindun reviews and assesses performance at the group level and management concluded that there is only one reportable operating segment and all the assets are located in mainland China.

Jindun is domiciled in PRC. The breakdown of its revenue from external customers by location of the customers is shown in the table below:

	Year ended December 31,			**Ten months ended October 31,**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
The PRC	139,264	252,299	301,707	204,447	222,177
Africa	1,565	–	–	–	3,098
Asia	–	6,536	–	–	36,372
Total revenue	140,829	258,835	301,707	204,447	261,647

6 REVENUE

	Year ended December 31,			**Ten months ended October 31,**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rendering of service	–	410	410	343	598
Sales of goods-at a point in time	140,829	258,425	300,969	204,104	261,049
Sales of goods-over time	–	–	328	–	–
	140,829	258,835	301,707	204,447	261,647

7 OTHER INCOME

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants	90	457	1,016	1,004	3,496
Interest income	218	166	384	230	167
Rental income	487	220	–	–	–
	795	843	1,400	1,234	3,663

8 OTHER GAINS/(LOSSES) – NET

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net foreign exchange gains/(losses)	440	296	(12)	19	(197)
(Loss)/gain on disposal of property, plant and equipment	(4)	54	8	8	–
Donation	–	–	(10)	(10)	(100)
Others	146	(99)	–	–	15
	582	251	(14)	17	(282)

9 FINANCE COSTS

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance costs:					
Interest expense on bank borrowings	5,713	5,571	7,311	5,900	7,364

10 INCOME TAX (CREDIT)/EXPENSE

The amounts of income tax (credit)/expense charged to the consolidated statement of profit or loss represent:

	Year ended December 31,			Ten months ended October 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current income tax	–	688	6,190	2,534	4,530
Deferred income tax *(Note 22)*	(6,700)	5,768	(370)	(446)	(709)
Income tax (credit)/expense	(6,700)	6,456	5,820	2,088	3,821

(a) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit of entities incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% during the Track Record Period.

Jindun is qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15% during the Track Record Period.

Reconciliation of the Jindun Group's profit before income tax to the income tax expense is as follows:

	Year ended December 31,			Ten months ended October 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax	1,578	44,457	41,516	15,047	29,449
Tax calculated at tax rate of 15%	237	6,669	6,227	2,257	4,417
Tax effect of:					
Expenses not deductible for tax purpose	123	450	641	487	645
Recognition of previously unrecognised tax losses and temporary differences (i)	(6,378)	–	–	–	–
Tax incentive (ii)	(682)	(663)	(1,048)	(656)	(1,241)
Income tax (credit)/expense	(6,700)	6,456	5,820	2,088	3,821

(i) The Jindun Group was continuous loss before 2015, deferred tax assets have not been recognised in respect of the unutilised tax losses because it is not probable that future taxable profit will be available against which the Jindun Group can utilise the benefits from. However, the Jindun Group began to make profits from 2015, the management expect it is probable that future taxable profit will be available against which the temporary differences can be utilized, as a result, the previous tax losses and temporary differences are recognised in 2015.

(ii) According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Jindun Group has made its best estimate for the Super Deduction to be claimed for the Jindun Group's entities in ascertaining their assessable profits during the Track Record Period.

11 EXPENSES BY NATURE

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of inventory	86,836	140,169	164,311	115,264	151,326
Impairment of inventory *(Note 18)*	73	234	9	7	385
Amortisation of land use rights *(Note 13)*	502	502	502	418	418
Amortisation of intangible assets *(Note 15)*	63	52	40	33	3
Employee benefit expenses *(Note 12)*	17,958	26,539	36,090	29,693	31,819
Depreciation of property, plant and equipment *(Note 14)*	3,713	3,248	3,577	2,968	3,076
Transportation and handling cost	610	646	1,503	1,108	1,325
Travelling expense	2,412	3,401	4,643	3,715	4,315
Office expense	3,572	6,402	4,661	3,973	2,567
Advertisement expense	702	711	2,541	1,242	1,301
Entertainment expense	1,529	4,300	5,778	4,644	5,609
Operating lease expense	191	130	250	223	218
Provision *(Note 27)*	1,023	127	1,280	1,263	1,680
Sales commission	6,954	11,538	16,127	10,758	12,970
Auditor's remuneration	140	425	330	275	333
Professional fees	4,516	5,376	6,710	5,045	5,355
Production security expense	34	1,241	1,400	1,145	861
Bank charges	279	479	541	518	362
Tax fee	642	1,317	1,372	531	608
Others	2,887	3,343	2,140	1,544	1,576
Total cost of sales, selling and distribution cost and general and administrative expenses	134,636	210,180	253,805	184,367	226,107

12 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, wages and welfare	14,725	22,367	29,633	24,208	26,935
Pension, housing fund, medical insurance and other social insurances	3,233	4,172	6,457	5,485	4,884
	17,958	26,539	36,090	29,693	31,819
Less: employee benefits capitalised	–	–	–	–	–
	17,958	26,539	36,090	29,693	31,819

During the years ended December 31, 2015, 2016 and 2017 and the ten months ended October 31, 2017 and 2018, (i) the directors (including CEO) of Jindun receive fee or other emoluments in respect of their services to the Jindun Group amounting to RMB494,000, RMB794,000, RMB1,415,000, RMB1,179,000 and RMB1,153,000; (ii) none of the directors of Jindun waived any emoluments paid or payable by the Jindun Group; (iii) no emoluments were paid by the Jindun Group to the directors as an inducement to join or upon joining the Jindun Group or as compensation for loss of office.

(a) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs during the years ended December 31, 2015, 2016 and 2017 and ten months ended October 31, 2017 and 2018.

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during years ended December 31, 2015, 2016 and 2017 and ten months ended October 31, 2017 and 2018.

(c) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director during the years ended December 31, 2015, 2016 and 2017 and ten months ended October 31, 2017 and 2018.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2015, 2016 and 2017 and ten months ended October 31, 2017 and 2018.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to Jindun Group's business to which Jindun was a party and in which a director of Jindun had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

13 LAND USE RIGHTS

The Jindun Group's and Jindun's interests in land use rights represent prepaid operating lease payments and their net book value is analyzed as follows:

The Jindun Group and Jindun

	Year ended December 31,			**Ten months ended October 31,**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost					
At beginning of the year/period	23,084	23,084	25,984	25,984	25,984
Additions	–	2,900	–	–	–
At end of the year/period	23,084	25,984	25,984	25,984	25,984
Accumulated amortisation					
At beginning of the year/period	(2,258)	(2,760)	(3,262)	(3,262)	(3,764)
Amortisation of land use rights	(502)	(502)	(502)	(418)	(418)
At end of the year/period	(2,760)	(3,262)	(3,764)	(3,680)	(4,182)
Net book value	20,324	22,722	22,220	22,304	21,802

The lease periods of land use rights are 46 years starting from the date of grant and are located in the PRC.

The Jindun Group and Jindun

Amortisation of land use rights has been charged to the consolidated statement of profit or loss (Note 11) as follows:

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of sales	85	85	85	70	70
General and administrative expenses	417	417	417	348	348
	502	502	502	418	418

There were no borrowing cost capitalised for the years ended December 31, 2015, 2016, 2017 and the ten months ended October 31,2017 and 2018.

As at December 31, 2015 and 2016 and 2017 and October 31, 2018, land use rights, with a carrying value of approximately RMB20,324,000, RMB19,822,000, RMB19,320,000 and RMB18,902,000, respectively, were pledged as collateral for the Jindun Group's borrowings.

14 PROPERTY, PLANT AND EQUIPMENT

The Jindun Group and Jindun

	Buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2015	20,887	11,263	2,499	3,550	1,674	39,873
Additions	262	70	76	278	1,464	2,150
Disposals and write-offs	–	(2,442)	(67)	–	–	(2,509)
As at December 31, 2015	21,149	8,891	2,508	3,828	3,138	39,514
Accumulated depreciation						
As at January 1, 2015	3,885	2,213	1,545	2,364	840	10,847
Depreciation charge	1,004	1,377	462	401	469	3,713
Disposals and write-offs	–	(506)	(53)	–	–	(559)
As at December 31, 2015	4,889	3,084	1,954	2,765	1,309	14,001
Net book value						
As at December 31, 2015	16,260	5,807	554	1,063	1,829	25,513

The Jindun Group and Jindun

	Buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2016	21,149	8,891	2,508	3,828	3,138	39,514
Additions	567	828	114	748	–	2,257
Disposals and write-offs	–	(75)	(321)	–	–	(396)
As at December 31, 2016	21,716	9,644	2,301	4,576	3,138	41,375
Accumulated depreciation						
As at January 1, 2016	4,889	3,084	1,954	2,765	1,309	14,001
Depreciation charge	1,035	976	300	347	590	3,248
Disposals and write-offs	–	(59)	(308)	–	–	(367)
As at December 31, 2016	5,924	4,001	1,946	3,112	1,899	16,882
Net book value						
As at December 31, 2016	15,792	5,643	355	1,464	1,239	24,493

The Jindun Group and Jindun

	Buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2017	21,716	9,644	2,301	4,576	3,138	41,375
Additions	412	691	524	556	1,335	3,518
Disposals and write-offs	–	–	(100)	–	–	(100)
As at December 31, 2017	22,128	10,335	2,725	5,132	4,473	44,793
Accumulated depreciation						
As at January 1, 2017	5,924	4,001	1,946	3,112	1,899	16,882
Depreciation charge	1,061	1,043	165	430	878	3,577
Disposals and write-offs	–	–	(96)	–	–	(96)
As at December 31, 2017	6,985	5,044	2,015	3,542	2,777	20,363
Net book value						
As at December 31, 2017	15,143	5,291	710	1,590	1,696	24,430

The Jindun Group and Jindun

	Buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited:						
Cost						
As at January 1, 2017	21,716	9,644	2,301	4,576	3,138	41,375
Additions	412	684	524	556	1,335	3,511
Disposals and write-offs	–	–	(100)	–	–	(100)
As at October 31, 2017	22,128	10,328	2,725	5,132	4,473	44,786
Accumulated depreciation						
As at January 1, 2017	5,924	4,001	1,946	3,112	1,899	16,882
Depreciation charge	884	861	134	353	736	2,968
Disposals and write-offs	–	–	(96)	–	–	(96)
As at October 31, 2017	6,808	4,862	1,984	3,465	2,635	19,754
Net book value						
As at October 31, 2017	15,320	5,466	741	1,667	1,838	25,032

The Jindun Group and Jindun

	Buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2018	22,128	10,335	2,725	5,132	4,473	44,793
Additions	–	764	–	26	248	1,038
As at October 31, 2018	22,128	11,099	2,725	5,158	4,721	45,831
Accumulated depreciation						
As at January 1, 2018	6,985	5,044	2,015	3,542	2,777	20,363
Depreciation charge	887	939	133	355	762	3,076
As at October 31, 2018	7,872	5,983	2,148	3,897	3,539	23,439
Net book value						
As at October 31, 2018	14,256	5,116	577	1,261	1,182	22,392

The Jindun Group and Jindun

Depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss (Note 11) as follows:

	Year ended December 31,			Ten months ended October 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of sales	1,751	1,495	1,259	1,043	1,047
Selling and distribution costs	54	56	38	32	25
General and administrative expenses	1,908	1,697	2,280	1,893	2,004
	3,713	3,248	3,577	2,968	3,076

There were no borrowing cost capitalised for the years ended December 31, 2015, 2016, 2017 and the ten months ended October 31,2017 and 2018.

As at December 31, 2015 and 2016 and 2017 and October 31, 2018, part of the buildings were pledged as collateral for the Jindun Group's borrowings, with a carrying amount of approximately RMB10,567,000, RMB9,891,000, RMB9,215,000 and RMB8,652,000, respectively.

15 INTANGIBLE ASSETS

The Jindun Group and Jindun

	Software
	RMB'000
Cost	
As at January 1, 2015 and December 31, 2015	323
Accumulated amortisation	
As at January 1, 2015	(165)
Amortisation	(63)
As at December 31, 2015	(228)
Net book value	
As at December 31, 2015	95
Cost	
As at January 1, 2016 and December 31, 2016	323
Accumulated amortisation	
As at January 1, 2016	(228)
Amortisation	(52)
As at December 31, 2016	(280)
Net book value	
As at December 31, 2016	43

The Jindun Group and Jindun

	Software
	RMB'000
Cost	
As at January 1, 2017 and December 31, 2017	323
Accumulated amortisation	
As at January 1, 2017	(280)
Amortisation	(40)
As at December 31, 2017	(320)
Net book value	
As at December 31, 2017	3
Unaudited:	
Cost	
As at January 1, 2017 and October 31, 2017	323
Accumulated amortisation	
As at January 1, 2017	(280)
Amortisation	(33)
As at October 31, 2017	(313)
Net book value	
As at October 31, 2017	10

The Jindun Group and Jindun

	Software
	RMB'000
Cost	
As at January 1, 2018 and October 31, 2018	323
Accumulated amortisation	
As at January 1, 2018	(320)
Amortisation	(3)
As at October 31, 2018	(323)
Net book value	
As at October 31, 2018	–

Amortisation of intangible assets has been charged to the consolidated statement of profit or loss (Note 11) as follows:

	Year ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
General and administrative expenses	63	52	40	33	3

16 INTERESTS IN A SUBSIDIARY

Jindun

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unquoted equity investment, at cost	N/A	N/A	N/A	100

The principal subsidiary of the Jindun Group as at October 31, 2018 is disclosed below.

As at October 31, 2018, Jindun had direct interest in the following subsidiary:

Name	Place and date of incorporation	Principal activities	Paid up capital	December 31, 2015	December 31, 2016	December 31, 2017	October 31, 2018
Shanghai Shundun Technology Co., Ltd.	Shanghai, 7 March 2018	Technology development, technical consulting, technical services, etc	RMB100,000	N/A	N/A	N/A	100%

(a) On 7 March 2018, Jindun set up Shanghai Shundun Technology Co., Ltd. ("Shundun"). Jindun holds 100% equity interest of Shundun with an registered capital of RMB1,000,000 at October 31, 2018. As at October 31, 2018, Jindun has paid 10% of restricted capital with an amount of RMB100,000.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Jindun Group

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost				
Trade and other receivables	85,120	140,992	179,265	259,169
Pledged bank deposits	4,414	7,364	12,034	17,000
Cash and cash equivalents	24,043	44,444	49,056	8,104
Total	113,577	192,800	240,355	284,273
Financial liabilities				
Financial liabilities at amortized cost:				
Borrowings	108,147	140,197	170,255	171,079
Trade and other payables excluding non-financial liabilities	49,412	51,184	57,480	93,529
Total	157,559	191,381	227,735	264,608

Jindun

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost				
Trade and other receivables	85,120	140,992	179,265	259,169
Pledged bank deposits	4,414	7,364	12,034	17,000
Cash and cash equivalents	24,043	44,444	49,056	8,006
Total	113,577	192,800	240,355	284,175
Financial liabilities				
Financial liabilities at amortized cost:				
Borrowings	108,147	140,197	170,255	171,079
Trade and other payables excluding non-financial liabilities	49,412	51,184	57,480	93,529
Total	157,559	191,381	227,735	264,608

18 INVENTORIES

The Jindun Group and Jindun

	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	21,787	22,391	28,187	24,072
Work in progress	21,914	40,691	38,380	34,061
Finished goods	–	2,341	6,050	5,449
Spare parts	31,270	3,746	1,135	1,743
	74,971	69,169	73,752	65,325
Less: provision for impairment	(2,761)	(2,799)	(1,278)	(1,663)
	72,210	66,370	72,474	63,662

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB86,836,000, RMB140,169,000, RMB164,311,000, RMB115,264,000 and RMB151,326,000 for the years ended December 31, 2015, 2016 and 2017, and ten months ended October 31, 2017 and 2018, respectively.

Movements on the Jindun Group's and Jindun's provision for impairment of inventories are as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017	Ten months ended October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	2,688	2,761	2,799	1,278
Provision for inventories	73	234	9	385
Write-off of inventories	–	(196)	(1,530)	–
At end of the year/period	2,761	2,799	1,278	1,663

19 ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Jindun Group and Jindun

	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current contract assets relating to uncompleted fire truck contracts	–	–	388	–
Retention receivables	15,129	21,314	38,085	34,870
Less: loss allowance	(204)	(197)	(297)	(877)
Total contract assets	14,925	21,117	38,176	33,993
Contract liabilities to third parties	49,704	49,927	38,475	17,334
Contract liabilities to related parties *(Note 31)*	–	5,230	–	–
Total contract liabilities	49,704	55,157	38,475	17,334

(a) Significant changes in contract assets and liabilities

HKFRS 15 Revenue from contracts with customers requires the presentation of any unconditional rights to consideration as a receivable separately as contract assets.

In adopting HKFRS15, the Jindun Group recognizes: 1) contract assets related to the products provided ahead of the agreed payment schedule for the uncompleted fire truck contracts, for which related revenue is recognised over time; 2) retention receivables as contract asset which represents receivables from customers after the expiry of warranty period, the warranty periods of fire engines are normally 1-2 years, so the amount has not been settled. As at December 31, 2015, 2016, 2017 and October 31, 2018, contract assets of RMB2,023,000, RMB3,333,000, RMB5,615,000, RMB7,168,000, respectively, were expected to be realised after one year. Contract assets have increased by RMB8,526,000, RMB14,142,000, RMB25,638,000 and RMB15,485,000 due to the increase in sales of fire engines, and have decreased by RMB10,177,000, RMB7,957,000, RMB8,479,000 and RMB19,088,000 due to the receipts from customers for the years ended December 31, 2015, 2016 and 2017 and the ten months ended October 31, 2018.

Contract liabilities primarily consist of the advance from customers for fire engines, where related performance obligation will be provided by the Jindun Group in the future. Contract liabilities have decreased as the Jindun Group has fulfilled the related performance obligation.

(b) Revenue recognised in relation to contract liabilities

The following tables shows the amount of revenue recognised in the consolidated statements of comprehensive income for the Track Record period relating to contract liabilities brought forward:

				As at
		As at December 31,		**October 31,**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year Sales of fire engines	24,767	49,704	55,157	38,475

The Jindun Group does not disclose information about remaining performance obligations that have original expected duration of one year or less.

20 TRADE AND OTHER RECEIVABLES

The Jindun Group and Jindun

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from third parties	61,687	106,111	131,030	200,346
Trade receivables due from related parties *(Note 31)*	790	2,275	16,541	7,671
Bills receivables	350	–	–	150
Total trade receivables	62,827	108,386	147,571	208,167
Less: provision for impairment of trade receivables	(998)	(757)	(1,012)	(3,839)
Total trade receivables – net	61,829	107,629	146,559	204,328
Amounts due from related parties *(Note 31)*	488	4,048	663	572
Advances to staff	3,289	2,280	2,282	4,992
Deposits	8,534	13,575	11,270	10,425
Advance payments on behalf of customers	11,079	13,520	18,370	39,617
Others	72	79	366	365
Less: provision for impairment of other receivables	(171)	(139)	(245)	(1,130)
Total other receivables – net	23,291	33,363	32,706	54,841
Prepayments	11,180	13,299	16,121	23,457
Total prepayments and other receivables	34,471	46,662	48,827	78,298
	96,300	154,291	195,386	282,626

Amounts due from related parties and advances to staff are unsecured, interest-free, and repayable on demand.

Prepayments of the Jindun Group during the Track Record Period mainly referred to prepayments to suppliers to purchase raw materials and prepaid electricity and water fees, etc.

As at December 31, 2015, 2016 and 2017 and October 31, 2018, the fair value of trade and other receivables of the Jindun Group, except for prepayments which are not financial assets, approximated their carrying amounts.

The credit period granted to third parties and the related parties are ranging from 90 to 120 days. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at December 31, 2015, 2016 and 2017 and October 31, 2018, was as follows:

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – gross				
– Within 90 days	25,171	45,931	94,210	87,248
– 91 to 180 days	11,522	29,380	23,878	56,989
– 181 to 360 days	5,094	18,023	12,628	40,211
– Over 360 days	21,040	15,052	16,855	23,719
	62,827	108,386	147,571	208,167

The maximum exposure to credit risk at each reporting dates are the carrying value of each class of receivable mentioned above. The Jindun Group does not hold any collateral as security over these debtors as at December 31, 2015, 2016 and 2017 and October 31, 2018.

As at December 31, 2015, 2016, 2017 and October 31, 2018, trade receivables of RMB29,619,000, RMB54,937,000, RMB109,132,000 and RMB122,069,000, respectively, were fully performing.

The Jindun Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime ECL for all trade receivables. This resulted in an increase of the loss allowance on January 1, 2018 by RMB1,589,000 for trade receivables.

The Jindun Group applies the HKFRS9 three-stage approach whereby financial assets move through the three stages as their credit quality changes. The resulted in an increase of the loss allowance on January 1, 2018 by RMB122,000 for other receivables.

Information about the impairment of trade receivables and the Jindun Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 4.

Movements on Jindun Group's and Jindun's provision for impairment of trade receivables and other receivables as follows:

	Year Ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At beginning of the year/period	805	1,169	896	896	1,257
Change in accounting policy (HKFRS 9)	–	–	–	–	1,711
Provision for receivables impairment	364	(273)	361	551	2,001
At end of the year/period	1,169	896	1,257	1,447	4,969

As at December 31, 2015, 2016 and 2017 and October 31, 2018, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	1,564	1,531	–	24,689
RMB	84,725	140,357	180,522	239,449
	86,289	141,888	180,522	264,138

21 PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

The Jindun Group

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	28,457	51,808	61,090	25,104
Less: Pledged bank deposit	(4,414)	(7,364)	(12,034)	(17,000)
Cash and cash equivalents	24,043	44,444	49,056	8,104

As at December 31, 2015, 2016 and 2017 and October 31, 2018, the carrying amounts of pledged bank deposit and cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	28,457	51,808	60,208	25,100
USD	–	–	882	4
	28,457	51,808	61,090	25,104

Jindun

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	28,457	51,808	61,090	25,006
Less: Pledged bank deposit	(4,414)	(7,364)	(12,034)	(17,000)
Cash and cash equivalents	24,043	44,444	49,056	8,006

As at December 31, 2015, 2016 and 2017 and October 31, 2018, the pledged bank deposit and cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	28,457	51,808	60,208	25,002
USD	–	–	882	4
	28,457	51,808	61,090	25,006

The Jindun Group and Jindun's pledged bank deposit mainly are the deposits for performing guarantees and can be withdraw within one year. As at December 31, 2015, 2016 and 2017 and October 31, 2018, the restricted cash amounts to RMB4,414,000, RMB7,364,000, RMB12,034,000 and RMB17,000,000, respectively.

Bank balances carry interest ranging from 0% to 0.3% per annum for the Track Record Period.

22 DEFERRED INCOME TAX

The Jindun Group and Jindun

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The amounts, determined after appropriate offsetting, are shown on the consolidated and company statements of financial position as follows:

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– to be recovered within 12 months	6,700	932	1,302	2,339

The movement on the deferred income tax account is as follows:

	Year ended December 31,				Ten months ended October 31,
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At beginning of the year/period	–	6,700	932	932	1,302
Change in accounting policy (HKFRS 9)	–	–	–	–	328
Tax credited/(charged) to profit or loss	6,700	(5,768)	370	446	709
At end of the year/period	6,700	932	1,302	1,378	2,339

Movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets	**Impairment losses**	**Provisions**	**Government grants**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2015	–	–	–	–	–
Credited to profit or loss	620	135	119	5,826	6,700
At December 31, 2015	620	135	119	5,826	6,700
(Charged)/credited to profit or loss	(36)	(25)	119	(5,826)	(5,768)
At December 31, 2016	584	110	238	–	932
(Charged)/credited to profit or loss	(159)	9	520	–	370
At December 31, 2017	425	119	758	–	1,302
Unaudited:					
At December 31, 2016	584	110	238	–	932
Credited to profit or loss	59	–	387	–	446
At October 31, 2017	643	110	625	–	1,378
At December 31, 2017	425	119	758	–	1,302
Change in accounting policy (HKFRS 9) *(Note 2.1.1)*	328	–	–	–	328
At January 1, 2018	753	119	758	–	1,630
Credited to profit or loss	373	63	273	–	709
At October 31, 2018	1,126	182	1,031	–	2,339

23 REGISTERED CAPITAL

The Jindun Group and Jindun

	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered capital:				
At beginning of the year/period	83,330	83,330	83,330	83,330
At end of the year/period	83,330	83,330	83,330	83,330

24 RESERVES

The Jindun Group

	Capital reserves	Surplus reserve	Sub-total	(Accumulated losses)/ retained earnings	Total
	RMB'000	*RMB'000* *(Note a)*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	7,686	31	7,717	(51,883)	(44,166)
Profit for the year	–	–	–	8,278	8,278
At December 31, 2015	7,686	31	7,717	(43,605)	(35,888)
At January 1, 2016	7,686	31	7,717	(43,605)	(35,888)
Profit for the year	–	–	–	38,001	38,001
At December 31, 2016	7,686	31	7,717	(5,604)	2,113

	Capital reserves *RMB'000*	Surplus reserve *RMB'000* *(Note a)*	Sub-total *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2017	7,686	31	7,717	(5,604)	2,113
Profit for the year	–	–	–	35,696	35,696
Appropriation of retained earnings to surplus reserve (a)	–	2,733	2,733	(2,733)	–
At December 31, 2017	7,686	2,764	10,450	27,359	37,809
Unaudited					
At January 1, 2017	7,686	31	7,717	(5,604)	2,113
Profit for the period	–	–	–	12,959	12,959
At October 31, 2017	7,686	31	7,717	7,355	15,072
At December 31, 2017	7,686	2,764	10,450	27,359	37,809
Changes arising from measurement upon initial HKFRS 9 application *(Note 2.1.1)*	–	–	–	(1,856)	(1,856)
At January 1, 2018	7,686	2,764	10,450	25,503	35,953
Profit for the period	–	–	–	25,628	25,628
Dividend paid to stakeholders (b)	–	–	–	(10,000)	(10,000)
Contribution from a stakeholder (c)	1,615	–	1,615	–	1,615
At October 31, 2018	9,301	2,764	12,065	41,131	53,196

Jindun

	Capital reserves *RMB'000*	Surplus reserve *RMB'000* *(Note a)*	Sub-total *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2015	7,686	31	7,717	(51,883)	(44,166)
Profit for the year	–	–	–	8,278	8,278
At December 31, 2015	7,686	31	7,717	(43,605)	(35,888)
At January 1, 2016	7,686	31	7,717	(43,605)	(35,888)
Profit for the year	–	–	–	38,001	38,001
At December 31, 2016	7,686	31	7,717	(5,604)	2,113
At January 1, 2017	7,686	31	7,717	(5,604)	2,113
Profit for the year	–	–	–	35,696	35,696
Appropriation of retained earnings to surplus reserve	–	2,733	2,733	(2,733)	–
At December 31, 2017	7,686	2,764	10,450	27,359	37,809
Unaudited					
At January 1, 2017	7,686	31	7,717	(5,604)	2,113
Profit for the period	–	–	–	12,959	12,959
At October 31, 2017	7,686	31	7,717	7,355	15,072
At December 31, 2017	7,686	2,764	10,450	27,359	37,809
Changes arising from measurement upon initial HKFRS 9 application *(Note 2.1.1)*	–	–	–	(1,856)	(1,856)
At January 1, 2018	7,686	2,764	10,450	25,503	35,953
Profit for the period	–	–	–	25,630	25,630
Dividend paid to stakeholders (b)	–	–	–	(10,000)	(10,000)
Contribution from a stakeholder (c)	1,615	–	1,615	–	1,615
At October 31, 2018	9,301	2,764	12,065	41,133	53,198

(a) Surplus reserve represented the general reserve fund pursuant to the Articles of Association of Jindun, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the People's Republic of China. The percentage for this appropriation was decided by the board of directors of Jindun. This general reserve fund can be utilised in setting off accumulated losses or increasing capital and is non-distributable other than upon liquidation.

(b) A dividend of RMB10,000,000 in respect of the retained earnings till September 30, 2018 was approved at Jindun's stakeholders' meeting on October 22, 2018. As at October 31, 2018, such dividend has not been paid to the stakeholders (Zhou Xiangyi and Zhou Guodong) of Jindun and recognised as other payables in the statement of financial position.

(c) Contribution from a stakeholder represented the waiver of claim against Jindun by Morita Corporation, a then shareholder of Jindun, in respect of the outstanding payables in amount of USD235,345.32 (approximately RMB1,615,000).

25 TRADE AND OTHER PAYABLES

The Jindun Group and Jindun

		As at December 31,		**As at October 31,**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
– Trade payables to third parties	41,205	48,271	52,382	78,970
– Trade payables to related parties *(Note 31)*	121	–	362	522
Total trade payables	41,326	48,271	52,744	79,492
– Amounts due to related parties *(Note 31)*	28	–	17	–
– Staff salaries, bonuses and welfare payables	1,783	2,849	4,232	4,033
– Accruals and other payables	8,058	2,913	4,719	3,638
– Notes payable	–	–	–	10,399
– Dividends payable *(Note 24(b))*	–	–	–	10,000
– Tax payable	6,345	3,935	11,941	8,749
	57,540	57,968	73,653	116,311

Trade payables to related parties and other payables due to related parties are unsecured, interest-free, and repayable on demand.

As at December 31, 2015, 2016 and 2017 and October 31, 2018, all trade and other payables, except for those non-financial liabilities of the Jindun Group that were non-interest bearing, and their fair value, approximate to their carrying amounts due to their short maturities.

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

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 60 days	31,115	29,400	37,818	47,711
61 – 120 days	3,190	10,707	7,998	11,486
121 – 240 days	6,113	1,915	973	12,121
Over 240 days	908	6,249	5,955	8,174
	41,326	48,271	52,744	79,492

The Jindun Group and Jindun's trade and other payables are all denominated in RMB.

26 BORROWINGS

The Jindun Group and Jindun

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank borrowings, secured and guaranteed *(Note a)*	108,000	140,000	170,000	170,000
Interest Payable	147	197	255	1,079
Total borrowings	108,147	140,197	170,255	171,079

(a) The information about guarantees and mortgages can be found in Note 31(d), and amount of assets pledged for borrowings is disclosed in Note 13 and 14.

(b) The weighted average interest rates per annum at each Track Record Period of financial position dates were as follows:

	As at December 31,			As at October 31,
	2015	2016	2017	2018
	%	%	%	%
Bank borrowings, secured and guaranteed	5.09%	4.53%	4.72%	5.16%

The interest rates for the bank loans outstanding at each statement of financial position date were arranged at variable interest rate and expose the Jindun Group to interest rate risk.

(c) The Jindun Group and Jindun's borrowings at each statement of financial position date were repayable within 1 year.

(d) The exposure of the borrowings to interest rate changes at the contractual repricing dates or maturity dates whichever is earlier are as follows:

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
6 months or less	147	10,197	90,255	91,079
6 – 12 months	108,000	130,000	80,000	80,000
	108,147	140,197	170,255	171,079

(e) The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant.

(f) The borrowings are all denominated in RMB.

(g) The Jindun Group has the following undrawn borrowing facilities:

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Floating rate:				
Expiring between 2-3 years	2,000	–	–	–

27 PROVISIONS

The Jindun Group and Jindun

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Warranties *(Note a)*	896	732	792	1,210

	Warranties	Total
	RMB'000	*RMB'000*
As at January 1, 2015	715	715
Provision made	1,023	1,023
Provision utilised	(842)	(842)
At December 31, 2015	896	896
Provision made	127	127
Provision utilised	(291)	(291)
At December 31, 2016	732	732
Provision made	1,280	1,280
Provision utilised	(1,220)	(1,220)
At December 31, 2017	792	792
Provision made	1,680	1,680
Provision utilised	(1,262)	(1,262)
At October 31, 2018	1,210	1,210

(a) Warranties

The Jindun Group and Jindun generally give one to three year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of each Track Record Period for expected warranty claims based on past experience of the level of repairs and returns.

28 DEFERRED INCOME

The Jindun Group and Jindun

	As at December 31,			As at October 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	795	1,590	5,055	6,875

Deferred income related to the government grant from Shanghai Lingang District Development and Construction Committee to be used for the operation and development of fire-fighting turntable ladder product.

The grants are recognised initially as deferred income upon receipt and will be recognised as other income when there is reasonable assurance that the conditions associated with the grant are fulfilled and the related expense occurred.

29 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year Ended December 31,			Ten months ended October 31,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property, plant and equipment					
Net book amount disposed of	1,950	29	4	4	–
(Losses)/gains on disposal of property, plant and equipment *(Note 8)*	(4)	54	8	8	–
Proceeds from disposal of property, plant and equipment	1,946	83	12	12	–

(b) Reconciliation of liabilities arising from financing activities

	At January 1, 2015	Cash flows	Non-cash changes	At December 31, 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	110,000	(2,000)	–	108,000
Interest payable	180	(5,746)	5,713	147
	110,180	(7,746)	5,713	108,147

	At January 1, 2016	Cash Flows	Non-cash changes	At December 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	108,000	32,000	–	140,000
Interest payable	147	(5,509)	5,559	197
	108,147	26,491	5,559	140,197

	At January 1, 2017	Cash Flows	Non-cash changes	At December 31, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	140,000	30,000	–	170,000
Interest payable	197	(7,253)	7,311	255
	140,197	22,747	7,311	170,255

Unaudited:	At January 1, 2017	Cash Flows	Non-cash changes	At October 31, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	140,000	30,000	–	170,000
Interest payable	197	(5,145)	5,899	951
	140,197	24,855	5,899	170,951

	At January 1, 2018	Cash Flows	Non-cash changes	At October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings				
Interest payable	170,000	–	–	170,000
	255	(6,540)	7,364	1,079
	170,255	(6,540)	7,364	171,079

30 COMMITMENTS

(a) The Jindun Group and Jindun have no material capital commitments as at December 31, 2015, 2016, 2017 and October 31, 2018.

(b) Operating lease commitments – the Jindun Group and Jindun as lessee

The Jindun Group and Jindun leases various buildings under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

The Jindun Group and Jindun

	As at December 31, 2015	2016	2017	As at October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	41	43	101	76

(c) Operating leases rental receivables - the Jindun Group and Jindun as lessor

The Jindun Group and Jindun leases out leasehold buildings to related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

The Jindun Group and Jindun

	As at December 31, 2015	2016	2017	As at October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	220	–	–	–

31 RELATED-PARTY TRANSACTIONS

Jindun's immediate holding company is Jindun Fire, which is incorporated in Shanghai city of the People's Republic of China. Its ultimate stakeholders are Zhou Xiangyi and Zhou Guodong.

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between the Jindun Group and its related parties in the ordinary course of business during the years ended December 31, 2015, 2016 and 2017 and ten months ended October 31, 2017 and 2018 and balances arising from related party transactions as at December 31, 2015, 2016 and 2017 and October 31, 2018.

(a) The principal related parties:

Name of entities	**Relationship with the Jindun Group**
Jindun Fire	Immediate holding company
Shanghai Haodun Technology Co., Ltd.	Fellow subsidiary
Shanghai Jindun Fire Intelligent Technology Co., Ltd.	Fellow subsidiary
Shanghai Andun Fire Intelligent Engineering Co., Ltd.	Fellow subsidiary
Shanghai Wenming Investment and Consulting Co., Ltd.	Controlled by an ultimate stakeholder

(b) Transactions with related parties

		Year ended December 31,			**Ten months ended October 31,**	
		2015	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(i)	Sales of goods and/or services to					
	Immediate holding company	195	5,557	20,064	6,956	43
(ii)	Purchase of goods and/or services					
	Immediate holding company	–	1,156	–	–	–
	Fellow subsidiaries	4,134	908	557	262	450
		4,134	2,064	557	262	450
(iii)	Rental income					
	Immediate holding company	225	–	–	–	–
	Fellow subsidiary	262	220	–	–	–
		487	220	–	–	–

		Year ended December 31,			Ten months ended October 31,	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
(iv)	Key management compensation					
	Salaries, wages and bonuses	639	952	1,573	1,311	1,306
(v)	Borrowings from related parties					
	Proceeds from					
	Immediate holding company	16,000	110,000	147,750	147,750	170,000
	Repayment to					
	Immediate holding company	16,000	110,000	147,750	147,750	170,000
(vi)	Loans to related parties					
	Lend to					
	Immediate holding company	5,000	–	91,000	84,000	97,000
	Fellow subsidiary	–	–	27,000	20,000	–
		5,000	–	118,000	104,000	97,000
	Repayment from					
	Immediate holding company	5,000	–	91,000	84,000	97,000
	Fellow subsidiary	–	–	27,000	20,000	–
		5,000	–	118,000	104,000	97,000

(c) Balances with related parties:

Amounts due from related parties:

		As at December 31,			As at October 31,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(i)	Trade and other receivables:				
	Immediate holding company	474	6,323	17,204	8,243
	Fellow subsidiaries	804	–	–	–
		1,278	6,323	17,204	8,243

Amounts due to related parties:

	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at October 31, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(i) Trade and other payables and contract liabilities:				
Immediate holding company	–	5,230	–	–
Fellow subsidiaries	149	–	379	522
	149	5,230	379	522

Amounts due from and amounts due to related parties are unsecured, interest-free, and repayable on demand.

Outstanding balances at each statement of financial position date, arising from sale/purchase of goods and services, and terms are disclosed in Notes 20 and 25 respectively.

The related party transactions as set out under b(i) to b(iv) above were carried out on terms mutually agreed between the parties.

(d) Guarantees from related parties

Of the bank borrowings at 31 December 2015, RMB60 million of which were secured by (i) the leasehold land of the Jindun Group with carrying value of RMB20.3 million; (ii) certain buildings of the Jindun Group with carrying value of approximately RMB10.6 million; and (iii) personal guarantee by Zhou Xiangyi. The remaining RMB48 million were secured by (i) land and buildings owned by Shanghai Wenming Investment and Consulting Co., Ltd.; and (ii) corporate guarantee by Jindun Fire and personal guarantee by Zhou Xiangyi.

Of the bank borrowings at 31 December 2016, RMB60 million of which were secured by (i) the leasehold land of the Jindun Group with carrying value of RMB19.8 million; (ii) certain buildings of the Jindun Group with carrying value of approximately RMB9.9 million; and (iii) personal guarantee by Zhou Xiangyi. The remaining RMB80 million were secured by (i) land and buildings owned by Shanghai Wenming Investment and Consulting Co., Ltd.; and (ii) corporate guarantee by Jindun Fire and personal guarantee by Zhou Xiangyi.

Of the bank borrowings at 31 December 2017, RMB110 million of which were secured by (i) the leasehold land of the Jindun Group with carrying value of RMB19.3 million; (ii) certain buildings of the Jindun Group with carrying value of approximately RMB9.2 million; and (iii) personal guarantee by Zhou Xiangyi. The remaining RMB60 million were secured by (i) land and buildings owned by Shanghai Wenming Investment and Consulting Co., Ltd.; and (ii) corporate guarantee by Jindun Fire and personal guarantee by Zhou Xiangyi.

Of the bank borrowings at 31 December 2018, RMB110 million of which were secured by (i) the leasehold land of the Jindun Group with carrying value of RMB18.9 million; (ii) certain buildings of the Jindun Group with carrying value of approximately RMB8.7 million; and (iii) personal guarantees by Zhou Xiangyi and his wife. The remaining RMB60 million were secured by (i) land and buildings owned by Shanghai Wenming Investment and Consulting Co., Ltd.; and (ii) corporate guarantee by the Jindun Fire and personal guarantee by Zhou Xiangyi.

(e) Key management personnel

All compensation for key management personnel, excluding for Zhou Xiangyi, a director and CEO, was paid by Jindun. The compensation of Zhou Xiangyi was paid by the holding company of Jindun according to the agreement of Jindun and its holding company. During the years ended December 31, 2015, 2016, 2017 and ten months ended October 31, 2017 and 2018, fees or other emoluments received by Zhou Xiangyi, amounts to RMB165,000, RMB180,000, RMB180,000, RMB150,000 and RMB175,000, respectively, which was paid by the holding company of Jindun.

32 CONTINGENT LIABILITIES

During the Track Record Period, the Jindun Group has no significant contingent liabilities.

III SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by Jindun or its subsidiary in respect of any period subsequent to October 31, 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Jindun or its subsidiary in respect of any period subsequent to October 31, 2018.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), comprising the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of net tangible assets as at 30 June 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 of the Enlarged Group, which have 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 100% of the equity interest in the Target Company, as if the Acquisition had been completed on 30 June 2018 for the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of net tangible assets, and 1 January 2017 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group, as set out in the published annual report of the Group for the year ended 31 December 2017 and the new/revised accounting standards adopted in the interim report of the Company for the six months ended 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, net tangible assets, financial performance and cash flows of the Enlarged Group had the Acquisition been completed as at 30 June 2018 or 1 January 2017, where applicable, or any future date.

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

(I) A. The Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 June 2018

		Pro forma adjustments			
	The Group as at 30 June 2018	The Target Group as at 31 October 2018	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 4*	*Note 6*	
Non-current assets					
Prepaid land lease payments	114,644	21,802	62,949	–	199,395
Property, plant and equipment	740,316	22,392	22,299	–	785,007
Investment properties	244,126	–	–	–	244,126
Intangible assets-other intangible assets	142,062	–	29,533	–	171,595
Intangible assets-goodwill	198,970	–	140,798	–	339,768
Investments in an associate	572,736	–	–	–	572,736
Deferred income tax assets	24,132	2,339	–	–	26,471
Other non-current assets	5,981	–	–	–	5,981
Financial assets at fair value through profit or loss	–	–	2,302	–	2,302
	2,042,967	46,533	257,881	–	2,347,381
Current assets					
Inventories	922,326	63,662	–	–	985,988
Contract asset	206,935	33,993	–	–	240,928
Trade and bills receivables	1,328,993	204,328	–	–	1,533,321
Prepayments, deposits and other receivables	241,806	78,298	–	–	320,104
Other financial assets	290	–	–	–	290
Amount due from related parties	1,000	–	–	–	1,000
Pledged bank deposits	10,289	17,000	–	–	27,289
Bank and cash balances	379,402	8,104	(114,540)	–	272,966
	3,091,041	405,385	(114,540)	–	3,381,886
Total assets	5,134,008	451,918	143,341	–	5,729,267

		Pro forma adjustments			
	The Group as at 30 June 2018	The Target Group as at 31 October 2018	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 4*	*Note 6*	
Non-current liabilities					
Trade and other payables	20,134	–	–	–	20,134
Convertible bonds	80,767	–	–	–	80,767
Provision	2,294	–	–	–	2,294
Deferred income tax liabilities	11,847	–	17,217	–	29,064
Deferred income	65,728	6,875	–	–	72,603
	180,770	6,875	17,217	–	204,862
Current liabilities					
Trade and other payables	1,165,195	116,311	114,540	3,339	1,399,385
Contract liability	620,838	17,334	–	–	638,172
Borrowings	172,116	171,079	–	–	343,195
Provision	87,090	1,210	–	–	88,300
Interest payable on convertible bonds	283	–	–	–	283
Derivative financial liabilities	327	–	–	–	327
Current income tax liabilities	12,637	2,583	–	(501)	14,719
	2,058,486	308,517	114,540	2,838	2,484,381
Total liabilities	2,239,256	315,392	131,757	2,838	2,689,243
Equity					
Share capital	1,778,028	83,330	64,780	–	1,926,138
Reserves	1,073,261	53,196	(53,196)	(2,838)	1,070,423
Non-controlling interests	43,463	–	–	–	43,463
Total equity	2,894,752	136,526	11,584	(2,838)	3,040,024

(I) B. The Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the year ended 31 December 2017

					Pro forma adjustments			
	The Group	The restatement		The Restated Group	The Target Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(i)*	*Note 3(ii)*		*Note 2*	*Note 5*	*Note 6*	
Revenue	528,555	1,662,685	(528,555)	1,662,685	301,707	–	–	1,964,392
Cost of sales	(414,210)	(1,273,336)	414,210	(1,273,336)	(178,198)	(3,769)	–	(1,455,303)
Gross profit	114,345	389,349	(114,345)	389,349	123,509	(3,769)	–	509,089
Other income	7,838	60,781	(7,838)	60,781	1,400	–	–	62,181
Selling and distribution cost	(21,677)	(52,559)	21,677	(52,559)	(34,512)	(819)	–	(87,890)
Administrative expenses	(86,190)	(248,489)	86,190	(248,489)	(41,556)	(8,275)	(3,339)	(301,659)
Other gains/(losses) – net	–	(3,638)	–	(3,638)	(14)	–	–	(3,652)
Profit from operations	14,316	145,444	(14,316)	145,444	48,827	(12,863)	(3,339)	178,069
Finance costs	(131)	(7,267)	131	(7,267)	(7,311)	–	–	(14,578)
Share of profit of an associate	14,718	–	(14,718)	–	–	–	–	–
Profit before tax	28,903	138,177	(28,903)	138,177	41,516	(12,863)	(3,339)	163,491
Income tax	(11,151)	(18,496)	11,151	(18,496)	(5,820)	1,929	501	(21,886)
Profit for the year	17,752	119,681	(17,752)	119,681	35,696	(10,934)	(2,838)	141,605
Profit for the year attributable to:								
Owners of the Company	17,752	86,118	(17,752)	86,118	35,696	(10,934)	(2,838)	108,042
Non controlling interests	–	33,563	–	33,563	–	–	–	33,563
Other comprehensive income								
Exchange differences on translating foreign operations	34,381	(9,711)	(34,381)	(9,711)	–	–	–	(9,711)
Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and land use rights	–	602	–	602	–	–	–	602
Share of other comprehensive income of an associate	(1,166)	–	1,166	–	–	–	–	–

					Pro forma adjustments			
	The Group	The restatement		The Restated Group	The Target Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(i)*	*Note 3(ii)*		*Note 2*	*Note 5*	*Note 6*	
Other comprehensive income for the year, net of tax	33,215	(9,109)	(33,215)	(9,109)	–	–	–	(9,109)
Total comprehensive income for the year	50,967	110,572	(50,967)	110,572	35,696	(10,934)	(2,838)	132,496
Total comprehensive income for the year is attributable to:								
Owners of the Company	50,967	79,271	(50,967)	79,271	35,696	(10,934)	(2,838)	101,195
Non controlling interests	–	31,301	–	31,301	–	–	–	31,301

(I) C. The Unaudited Pro Forma Consolidated Statement of cash flows of the Enlarged Group for the year ended 31 December 2017

					Pro forma adjustments				
	The Group	The restatement		The Restated Group	The Target Group	Other adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(i)*	*Note 3(ii)*		*Note 2*	*Note 4*	*Note 5*	*Note 6*	
Cash flows from operating activities									
Profit before tax	28,903	138,177	(28,903)	138,177	41,516	–	(12,863)	(3,339)	163,491
Adjustments for:									
Depreciation of property, plant and equipment	10,833	45,938	(10,833)	45,938	3,577	–	486	–	50,001
Amortization of prepaid land lease payments and intangible assets	794	–	(794)	–	542	–	12,377	–	12,919
Impairment loss for bad and doubtful debts and impairment of inventory	2,644	–	(2,644)	–	470	–	–	–	470
Reversal of allowance for obsolete and slow-moving inventories	(484)	–	484	–	–	–	–	–	–
Gain on bargain purchase of a subsidiary	(348)	–	348	–	–	–	–	–	–
Finance costs	131	7,169	(131)	7,169	7,323	–	–	–	14,492
Dividend income	–	(49)	–	(49)	–	–	–	–	(49)
Interest income	(2,028)	(2,003)	2,028	(2,003)	–	–	–	–	(2,003)
Loss/(gain) on disposal of property, plant and equipment	515	10	(515)	10	(8)	–	–	–	2
Gain from change in fair value of other financial assets	–	(764)	–	(764)	–	–	–	–	(764)
Government grants	–	–	–	–	–	–	–	–	–
Gain on fair value of investment properties	–	(1,058)	–	(1,058)	–	–	–	–	(1,058)
Share-based payments	4,398	–	(4,398)	–	–	–	–	–	–
Share of profit of an associate	(14,718)	–	14,718	–	–	–	–	–	–

	The Group	The restatement		The Restated Group	Pro forma adjustments: The Target Group	Pro forma adjustments: Other adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(i)*	*Note 3(ii)*		*Note 2*	*Note 4*	*Note 5*	*Note 6*	
Operating profit before working capital changes	30,640	187,420	(30,640)	187,420	53,420	–	–	(3,339)	237,501
Decrease/(increase) in inventories and construction work-in-progress	13,886	(226,771)	(13,886)	(226,771)	(6,113)	–	–	–	(232,884)
Increase in trade and bills receivables	(100,454)	(11,111)	100,454	(11,111)	(56,345)	–	–	–	(67,456)
(Increase)/decrease in prepayments, deposits and other receivables	(4,944)	–	4,944	–	(6,942)	–	–	–	(6,942)
Increase/(decrease) in trade and other payables	82,899	131,277	(82,899)	131,277	7,493	–	–	3,339	142,109
Increase in provisions	–	3,501	–	3,501	60	–	–	–	3,561
Cash generated from/(used in) operations	22,027	84,316	(22,027)	84,316	(8,427)	–	–	–	75,889
Interest paid	(131)	–	131	–	–	–	–	–	–
Income tax paid	(10,970)	(26,184)	10,970	(26,184)	(6,190)	–	–	–	(32,374)
Net cash generated from/(used in) operating activities	10,926	58,132	(10,926)	58,132	(14,617)	–	–	–	43,515

	The Group	The restatement		The Restated Group	Pro forma adjustments: The Target Group	Other adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(i)*	*Note 3(ii)*		*Note 2*	*Note 4*	*Note 5*	*Note 6*	
Cash flow from investing activities									
Acquisition of a subsidiary	(327)	(4,481)	327	(4,481)	–	(184,636)	–	–	(189,117)
Additions to property, plant and equipment and intangible assets	(6,745)	(106,361)	6,745	(106,361)	(3,518)	–	–	–	(109,879)
Increase in pledged bank deposits	(5,896)	–	5,896	–	–	–	–	–	–
Interest received	2,028	2,003	(2,028)	2,003	–	–	–	–	2,003
Decrease in advance to an associate	2,151	–	(2,151)	–	–	–	–	–	–
Proceeds from disposal of property, plant and equipment	18	1,366	(18)	1,366	12	–	–	–	1,378
Repayment of borrowings by related parties	–	–	–	–	118,000	–	–	–	118,000
Payment of borrowings to related parties	–	–	–	–	(118,000)	–	–	–	(118,000)
Proceeds from government grants	–	24,622	–	24,622	–	–	–	–	24,622
Dividend received	–	49	–	49	–	–	–	–	49
Net cash used in investing activities	(8,771)	(82,802)	8,771	(82,802)	(3,506)	(184,636)	–	–	(270,944)
Cash flow from financing activities									
Proceed from borrowings	–	154,621	–	154,621	180,000	–	–	–	334,621
Repayment of bank loans	(10,000)	(184,575)	10,000	(184,575)	(150,000)	–	–	–	(334,575)
Interest paid	–	(7,561)	–	(7,561)	(7,253)	–	–	–	(14,814)
Proceeds of borrowings from related companies	–	–	–	–	147,750	–	–	–	147,750
Repayment of borrowings to related companies	–	–	–	–	(147,750)	–	–	–	(147,750)
Cash injection from non-controlling interest of a subsidiary	–	15,190	–	15,190	–	–	–	–	15,190
Decrease in cash pledged for financing	–	10	–	10	–	–	–	–	10
Net cash (used in)/generated from financing activities	(10,000)	(22,315)	10,000	(22,315)	22,747	–	–	–	432

					Pro forma adjustments				
	The Group	The restatement		The Restated Group	The Target Group	Other adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(i)*	*Note 3(ii)*		*Note 2*	*Note 4*	*Note 5*	*Note 6*	
Net (decrease)/increase in cash and cash equivalents	(7,845)	(46,985)	7,845	(46,985)	4,624	(184,636)	–	–	(226,997)
Cash and cash equivalents at 1 January	132,576	268,459	(132,576)	268,459	44,444	(44,444)	–	–	268,459
Effect of foreign exchange rate changes	–	(509)	–	(509)	(12)	–	–	–	(521)
Cash and cash equivalents at 31 December, 2017	124,731	220,965	(124,731)	220,965	49,056	(229,080)	–	–	40,941
Analysis of cash and cash equivalents at 31 December, 2017									
Bank and cash balances	124,731	220,965	(124,731)	220,965	49,056	(229,080)	–	–	40,941

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts have been extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018 included in the published unaudited interim report of the Company for the six months ended 30 June 2018, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 included in the published annual report of the Company for the year ended 31 December 2017.

2. The amounts have been extracted from the audited consolidated statement of financial position of the Target Group as at 31 October 2018, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2017, as set out in Appendix II to this circular.

3. The Company completed a very substantial acquisition on Pteris Global Limited ("Pteris" and "Pteris Acquisition") on 23 April 2018, which is to be accounted for as a reverse acquisition in the financial statements for the year ended 31 December 2018 in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". Under the reverse acquisition accounting, Pteris is regarded as the accounting acquirer and China Fire Safety Enterprise Group Limited ("China Fire") is regarded as the accounting acquiree, and the consolidated financial statements prepared are regarded as a continuation of the financial statements of the accounting acquirer. Accordingly, the 2017 comparative figures to be included in the audited financial statements of the Group for the year ended 31 December 2018 will be restated. This Unaudited Pro Forma Financial Information is prepared on the same basis using the consolidated financial information of Pteris for the year ended 31 December 2017.

   (i) The restatement represents the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of Pteris and its subsidiaries ("Pteris Group") for the year ended 31 December 2017. For the purpose of preparing the Unaudited Pro Forma Financial Information, the consideration paid for the Pteris Acquisition and the related fair value adjustments on identifiable net assets were not adjusted for as the Pteris Acquisition has not been completed until 23 April 2018.

   (ii) The restatement represents the elimination of the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of China Fire and its subsidiaries for the year ended 31 December 2017, which is accounted for as accounting acquiree upon completion of the Pteris Acquisition on 23 April 2018.

4. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company, and the identifiable assets and liabilities of the Target Group will be accounted for by the Group at their fair value in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of the Target Group as at 31 October 2018 based on a valuation report dated 25 March 2019 prepared by ValQuest Advisory Group Limited.

Goodwill and other intangible assets arising from the Acquisition is calculated as follows:

	Note	RMB'000
Prepayment made by cash		114,540
Consideration payable – the First Instalment		114,540
Share capital – First Batch Consideration Shares		81,379
Share capital – Second Batch Consideration Shares		66,731
Less: Contingent consideration – Financial Compensation from the Vendor		(2,302)
Fair value of total consideration	a	374,888
Less:		
Carrying amount of identifiable net assets of the Target Group as at 31 October 2018		136,526
Add:		
Fair value adjustments on:		
– Property, plant and equipment		22,299
– Prepaid land lease payments		62,949
Recognition of intangible assets		
– Patents		19,621
– Customer relationship		4,258
– Backlogs		5,654
Recognition of deferred income tax liabilities arising from the revaluation surplus of assets and the recognition of intangible assets		(17,217)
Total fair value of identifiable net assets of the Target Group as at 31 October 2018	b	234,090
Goodwill arising from the Acquisition	c	140,798

(a) Pursuant to the Equity Transfer Agreement, the Consideration for the Acquisition is RMB381,800,000 (subject to deductions), comprising cash consideration of RMB229,080,000 (as represented by aggregate of the Prepayment and the First Instalment) and share consideration of RMB152,720,000 (as represented by the aggregate of the Second Instalment and the Remaining Balance to be satisfied by the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares respectively).

As set out in the Equity Transfer Agreement, (i) the Prepayment, being the amount of RMB114,540,000, shall be payable within 15 Business Days after the execution of the Equity Transfer Agreement; (ii) the First Instalment, being the amount of RMB114,540,000 (subject to deductions), shall be payable upon the satisfaction of the conditions precedent and within 15 Business Days after completion of the change of industry and commerce registration; (iii) the Second Instalment, being the amount of RMB76,360,000 (subject to deductions), shall be payable by the Purchaser by the issue of the First Batch Consideration Shares (275,782,224 new Shares to be issued by the Company) within 30 Business Days upon the completion of the change of industry and commerce registration; (iv) the Remaining Balance, being the amount of RMB76,360,000 (subject to deductions), shall be payable by the Purchaser by the issue of the Second Batch Consideration Shares (275,782,224 new Shares to be issued by the Company) within 30 Business Days upon the issue of the 2018 Audit Report.

As stipulated in the Equity Transfer Agreement, there is a performance guarantee arrangement in respect of the financial performance of the Target Group for the years ended 31 December 2016, 2017, 2018 and the year ending 31 December 2019. The Vendor shall make Financial Compensation to the Group in the event that any of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue is not achieved. The Vendor also undertakes to charge the Second Batch Consideration Shares in favour of the Group or any affiliate designated by the Group after the payment of the Remaining Balance as the security for the performance guarantee on the financial performance of the Target Group for the year ended 31 December 2019. The fair value of the contingent consideration are estimated in accordance with HKFRS 13 "Fair value measurement" and is consistent with the accounting policies adopted by the Group. Based on the audited consolidated financial statements of the Target Group as set out in Appendix II to this circular and the current financial performance of the Target Group, the 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit have been met, and the Directors expect that the 2018 Guaranteed Net Profit will be satisfied.

For the purpose of the Pro Forma Financial Information, the total present value of the total consideration is estimated to be RMB374,888,000, which comprises:

i) the Prepayment of RMB114,540,000 paid in November 2018;

ii) the First Instalment of RMB114,540,000, which is recognized as a consideration payable in current liability;

iii) the Second Instalment through the issuance of 275,782,224 new Shares. For the purpose of the Pro Forma Financial Information, the Directors have assumed the fair value of the First Batch Consideration Shares is RMB81,379,000, using the closing quoted market price of the Shares of HKD0.35 as at 30 June 2018, and converted from HKD to RMB at the rate of RMB1 to HKD1.1861 as at 30 June 2018 as sourced from the central parity rate published by The People's Bank of China;

iv) the Remaining Balance through the issuance of 275,782,224 new Shares. For the purpose of the Pro Forma Financial Information, the Directors have assumed the fair value of the Second Batch Consideration Shares is RMB66,731,000, using the closing quoted market price of the Shares of HKD 0.35 as at 30 June 2018 and discounted at a rate of 18% for a period of an expected 18 months pledge period, and converted from HKD to RMB at the rate of RMB1 to HKD1.1861 as at 30 June 2018 as sourced from the central parity rate published by The People's Bank of China; and

v) the estimated Financial Compensation from the Vendor in cash of RMB2,302,000, in respect of the 2019 Guaranteed Net Profit and 2018 and 2019 Guaranteed Revenue, which is recognized as a financial asset at fair value through profit or loss in accordance with HKFRS9. In determining the fair value of the Financial Compensation, the Directors estimated three scenarios of possible outcomes (the optimistic, normal and conservative) for each of the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue. A shortfall of approximately RMB13,546,000 was estimated for the 2019 Guaranteed Net Profit under the conservative scenario. Apart from that, no shortfall was estimated for either the 2019 Guaranteed Net Profit or the 2018 and 2019 Guaranteed Revenue. The fair value of the Financial Compensation was calculated with reference to the probability-weighted average of the three scenarios of possible outcomes and a discount rate of 12%.

(b) The fair value of the identifiable assets and liabilities of the Target Group is composed of the carrying amount of net assets of the Target Group as at 31 October 2018, and the fair value adjustments on property, plant and equipment, prepaid land lease payments and intangible assets, including patents, customer relationship and backlogs, arising from the business combination. The fair value of the identifiable assets and liabilities of the Target Group as at 31 October 2018 was valued by ValQuest Advisory Group Limited. With reference to the valuation report, the Directors estimate that: (i) the fair value of patents is RMB19,621,000 which is based on multi-period excess earnings method; (ii) the fair value of customer relationship is RMB4,258,000 which is based on multi-period excess earnings method; (iii) the fair value of backlogs is RMB5,654,000 which is based on the multi-period excess earnings method; (iv) the fair value adjustment on property, plant and equipment is RMB22,299,000 which is based on the depreciated replacement cost approach; and (v) the fair value adjustment on prepaid land lease payments is RMB62,949,000 which is based on the direct comparison method under the market approach. The corresponding deferred income tax liabilities of RMB17,217,000 is measured at the tax rates that are expected to apply when the related taxable temporary difference are settled, which is at a 15% tax rate, as applicable to the Target Company as a High/New-Technology Enterprise in the PRC.

The multi-period excess earnings method is a commonly adopted valuation method to value intangible assets including patents, backlogs and customer relationship that are considered as one of the core competence of business and contribute to cash flows in combination with other assets in a group. The depreciated replacement cost approach and the direct comparison method are commonly adopted valuation methods to value property, plant and equipment and prepaid land lease payments, respectively.

The patents represent the patented technologies developed by the Target Company used in the production of the fire trucks. The backlogs represent the total estimated customer contracts that has been secured and remain to be completed as at the valuation date. The customer relationship represents the long-time business relationship and history with key customers. According to the valuation report, the fair values of patents, customer relationship and backlogs are determined using multi-period excess earnings method under the income approach. In the multi-period excess earnings method, the value is estimated as the present value of the benefits anticipated from ownership of the subject intangible asset in excess of the returns required on the investment in the contributory assets necessary to realise those benefits.

The key assumptions used in estimating the fair values of the intangible assets are as follows:

Sales amount (% annual growth rate)	5% – 20%
EBIT margin (% of revenue)	14% – 17%
Discount rate for patents and customer relationship	17.0%
Discount rate for backlogs	12.0%

The fair value adjustments to the intangible assets of the Target Group at 31 October 2018 are as follows:

	RMB'000
Goodwill	140,798
Patents	19,621
Customer relationship	4,258
Backlogs	5,654
	170,331

(c) Goodwill arising from the Acquisition of approximately RMB140,798,000 is derived from the difference between the fair value of total consideration of approximately RMB374,888,000 and the fair value of the identifiable net assets of the Target Group of approximately RMB234,090,000. Since the fair values of the consideration and the identifiable net assets of the Target Group at the completion date of the Acquisition may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets) and goodwill to be recognized in connection with the Acquisition may be different from the amounts presented above and the differences may be significant.

(d) For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have made an assessment on whether there is any impairment in respect of property, plant and equipment, prepaid land lease payments, the intangible assets and goodwill arising from the Acquisition with reference to HKAS 36 "Impairment of Assets". They have taken into consideration the historical financial performance of the Target Group, the price-to-earnings ratio of companies in similar industries and synergy effect to the business of the Enlarged Group as key parameters for the assessment. Based on the assessment results, the Directors concluded that there is no impairment in the value of property, plant and equipment, prepaid land lease payments, intangible assets and goodwill. The Company will adopt consistent accounting policies, principal assumptions and methodology of impairment assessment (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's property, plant and equipment, prepaid land lease payments, intangible assets and goodwill in the future, and communicate such basis with its auditor. The auditor of the Company has considered the impairment assessment conducted by the management as part of its engagement to report on the pro forma financial information of the Enlarged Group.

This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma statement of cash flows.

5. The adjustment represents: (a) additional amortization/depreciation of the fair value adjustments to the prepaid land lease payments and property, plant and equipment and intangible assets (patents, customer relationship and backlogs) arising from the business combination of the Target Group of RMB12,863,000, based on the respective fair values of the Target Group as at 31 October 2018 as set out in the valuation report dated 25 March 2019 prepared by ValQuest Advisory Group Limited; and (b) the related deferred income tax impact of RMB1,929,000. For the purpose of this Unaudited Pro Forma Financial Information, the Directors consider that there are no significant changes between 31 October 2018 and 1 January 2017 and no separate valuation report as at 1 January 2017 was prepared. Had this report been prepared, the amounts of the additional amortisation expenses for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group may be different from the amounts presented in this appendix.

For the purpose of the unaudited pro forma statement of profit or loss and comprehensive income, (i) the patents, customer relationship and backlogs are amortized based on the timing of projected cash flows of the contracts over their estimated useful lives on a straight-line basis; (ii) the depreciation of property, plant and equipment is calculated using the straight-line method to allocate the fair value adjustments over their estimated residual lives; and (iii) the amortization of prepaid land lease payments are calculated using the straight-line method to allocate the fair value adjustments over their residual lives.

This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma statement of profit or loss and other comprehensive income and unaudited pro forma statement of cash flows.

6. The adjustment represents the estimated professional fees and transaction costs of approximately RMB3,339,000 payable by the Group in connection with the Acquisition, which are assumed to be due upon Completion. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma statement of profit or loss and other comprehensive income or unaudited pro forma statement of cash flows.

7. Apart from the above, no other adjustment has been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group to reflect any trading results or other transactions of the Group entered or proposed to enter into subsequent to 30 June 2018 or the Target Group subsequent to 31 October 2018.

(II) The Unaudited Pro Forma Consolidated Statement of Net Tangible Assets of the Enlarged Group as at 30 June 2018

	Issuance of 551,564,448 ordinary shares by the Company to acquire the Target Company			
	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2018	**Unaudited consolidated net tangible assets attributable to owners of the Company per ordinary Share as at 30 June 2018**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2018**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per ordinary Share as at 30 June 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*
Consolidated net tangible assets attributable to owners of the Company	2,510,257	0.1735	2,485,198	0.1654

1. The amount of unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2018 is based on the unaudited consolidated net assets attributable to the owners of the Company as at 30 June 2018 of RMB2,851,289,000 as extracted from the unaudited interim report of the Company for the six months ended 30 June 2018, excluding the goodwill and other intangible assets of the Group as at 30 June 2018 of RMB198,970,000 and RMB142,062,000 respectively.

2. The number of shares used for the calculation of the unaudited consolidated net tangible assets attributable to owners of the Company per ordinary Share comprises 14,471,904,470 ordinary shares in issue as at 30 June 2018. The number of ordinary shares used in the calculation has not taken into account the effects of the conversion of convertible bonds and share options of the Group as at 30 June 2018 since they are not conditional on the Acquisition and are not the subject matter of the Acquisition.

3. The amount of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2018 is calculated based on the unaudited pro forma consolidated net assets attributable to owners of the Company as at 30 June 2018 of RMB2,996,561,000 as extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group, excluding the goodwill and other intangible assets of the Enlarged Group as at 30 June 2018 of RMB339,768,000 and RMB171,595,000 respectively.

4. The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per ordinary Share comprises 14,471,904,470 ordinary Shares in issue as at 30 June 2018 as explained in note 2 above, and the 551,564,448 ordinary Shares to be issued upon completion of the Acquisition as explained in Note 4(a) of section I above. The number of ordinary Shares used in the calculation has not taken into account the effects of the conversion of convertible bonds and share options of the Group as at 30 June 2018 since they are not conditional on the Acquisition and are not the subject matter of the Acquisition.

5. Apart from the above, no other adjustment has been made to the unaudited pro forma consolidated net tangible assets of the Enlarged Group to reflect any trading results or other transactions entered or proposed to enter into by the Enlarged Group subsequent to 30 June 2018.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CIMC-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 Shanghai Jindun Special Vehicle Equipment Co., Ltd. (the "Target Company") and its subsidiary (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 consolidated statement of financial position and the unaudited pro forma consolidated statement of net tangible assets as at 30 June 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-15 of the Company's circular dated 25 March 2019, in connection with the proposed acquisition of 100% equity interest in the Target Company (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 III-1 to III-15.

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 2018 as if the Acquisition had taken place at 30 June 2018 and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Acquisition had taken place at 1 January 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated interim financial information for the period ended 30 June 2018, on which no audit or review report has been published, while the Group's financial performance and cash flows have been extracted by the directors from the Group's consolidated financial statements for the year ended 31 December 2017, on which an audit 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 Acquisition on unadjusted financial information of the entity as if the event had occurred or the Acquisition 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 2018 and 1 January 2017 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 Acquisition, 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 Acquisition 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, 25 March 2019

I. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Company for each of the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018.

Business Review

For the year ended 31 December 2015

The Group's business for the year ended 31 December 2015 comprised two segments: the production and sale of fire engines and the production and sale of fire prevention and fighting equipment. Revenue of the Group for the year ended 31 December 2015 was approximately RMB565.2 million, up approximately 25.8% year on year respectively. Profit from continuing operations for the year ended 31 December 2015 was approximately RMB43.0 million, representing a turnaround from loss from continuing operations of approximately RMB14.2 million for the year ended 31 December 2014. Revenue growth for the year ended 31 December 2015 was mainly attributable to the increase in the units of fire engines sold. The revenue growth and higher profit margins from new products launched had driven the increase in profit for the year ended 31 December 2015.

During the year ended 31 December 2015, the Group launched a newly developed fire engine that was particularly designed for densely populated cities. The new fire engine is smaller in size than the conventional types such that it can travel through narrow and congested streets in cities more efficiently. Despite its smaller-than-conventional size, it is characterized by a high power engine, large truck cap for transporting more firemen, specifically designed cabinets for carrying a large variety of tools and rescue equipment. Equipped with the Group's compressed air foam extinguishing systems, it can perfectly handle small to medium size fire rescue tasks alone or act as a vanguard in large-scale rescue missions. The fire engine was commented on favorably by the Ministry of Public Security of the PRC. The fire engines and equipment markets in China are huge but highly competitive. The market for conventional fire trucks is approaching saturation but demand for special vehicles is rising. Products that cater for market needs and are able to fill market gaps are the key to future growth. In the subsequent financial years, the Group planned to launch a number of special vehicles and fire equipment: (i) 30 meters to 60 meters aerial platform fire trucks and turntable ladder trucks; (ii) large-scale compressed air extinguishing system which is designed specifically to tackle conflagrations in areas with oil tanks, oil depots and petrochemical storage and factories, being one of the research projects of the thirteen national five year plan in China; and (iii) bidirectional driving fire trucks and other railway-specific and tunnel-specific fire equipment, in anticipation of opening up more overseas markets by the opportunities created by the national policy of exporting the high-speed rail.

In February 2015, the Group acquired 40% equity interests in Ziegler by issuing new shares that made up 30% of its enlarged share capital to CIMC. Ziegler is a world renowned manufacturer of fire engines, special purpose vehicles, water pumps and other firefighting components and is known for its high quality craftsmanship as well as technological leadership in customized fire engines and firefighting equipment. Through the acquisition, the Group built up a strategic relationship with Ziegler and CIMC and gained from the synergistic effect in respect of technological advancement, market assessment and resources sharing. With the support of CIMC, the Group achieved growth organically by focusing on improving production techniques, developing new products and enhancing product quality. Besides, the Group has actively planned for mergers and acquisitions so as to speed up the pace of development.

For the year ended 31 December 2016

In the year ended 31 December 2016, to better comply with the accounting policies, the Group's revenue, from fire engines in particular, can only be recognized when customers finished their inspection on the products. The relaxation of the restrictions in the number of qualified fire engines manufacturers by the Ministry of Industry and Information Technology and the Ministry of Public Security from the beginning of the year ended 31 December 2016 rapidly boosted up the number of players in the market and put stress on the Group's order books. As a result, revenue of the Group dropped approximately 16.6% to approximately RMB471 million for the year ended 31 December 2016. Profit from operations for the year ended 31 December 2016 was approximately RMB39.6 million, broadly in line with the year ended 31 December 2015. Profit for the year, however, declined approximately 43.2% to approximately RMB17.3 million.

In spite of the decline in revenue and profit for the year, the gross profit margin of the Group had improved due to change in product mix and customer mix. The growth in sales of special vehicles, such as the first lot of bidirectional trucks sold since their launch, and sales of large-sized fire engines equipped with more equipment and advanced chassis, drove up the gross profit margin for the year ended 31 December 2016 as those trucks required comparatively more advanced production techniques and complicated production procedures and could be sold at higher profit margins.

The drop in profit for the year ended 31 December 2016 was attributable to: (i) the decrease in share of profit of associates; and (ii) the provision for a rental dispute amounting to RMB16 million. The Group completed the acquisition of 40% equity interests in Ziegler in July 2015 and therefore only shared the financial results for the second half of the year ended 31 December 2015. The first two quarters of a year are normally the slack season for Ziegler and the Group should have shared a loss of approximately RMB9.4 million for the year ended 31 December 2015, had Ziegler's results for the full year been taken into account.

The market for the conventional fire trucks is approaching saturation but demand for special vehicles is rising. The Group has focused on developing those products that cater to market needs and are able to fill market gaps in recent years. For the special vehicles and fire equipment planned to be launched by the Group, the bi-directional trucks were sold in the year ended 31 December 2016. Orders for aerial platform trucks were received which were expected to be delivered in the year ended 31 December 2017. The development of the large-scale compressed air extinguishing system which is designed specifically to tackle conflagrations in areas with oil tanks, oil depots and petrochemical storage and factories, one of the research projects of the thirteen national five year plan of the PRC, progressed smoothly. In addition to growth through internal development, the Group actively looked for merger and acquisition opportunities. The Group negotiated to acquire fire engine and fire equipment manufacturing companies in China and in Europe to enrich the Group's product portfolio and technologies and enlarge its market coverage by building a solid foothold in the international market.

For the year ended 31 December 2017

Revenue and profit of the Group for the year ended 31 December 2017 were respectively approximately RMB529 million and approximately RMB17.8 million, up approximately 12.2% and approximately 2.7% year on year respectively. As the supply of chassis restored, manufacturing schedules of fire engines delayed by the supply shortage in the third quarter was caught up in the last quarter of the year ended 31 December 2017. Sales for the year ended 31 December 2017 exceeded that for the year ended 31 December 2016 as more fire engines were sold. Average unit selling price of the fire engines sold was driven up by the Group's self-developed aerial lifting spray trucks and ladder trucks that were first released during the year ended 31 December 2017. Notwithstanding the professional fee of approximately RMB25 million incurred for the Pteris Acquisition, the TianDa Acquisition, and other potential acquisitions negotiated during the year ended 31 December 2017, the increase in profit for the year ended 31 December 2017 was owing to, in addition to revenue growth, the increased in share of profit of Ziegler, the Group's associate in Germany, due to its good financial performance. Following the sale of the Group's first self-developed aerial lifting fire trucks, other models with longer working heights, such as the 32-metre and 52-metre ladder trucks and aerial platform trucks, and the 60-metre jet spray fire trucks were under development. Besides, to seize the potential market arising from the possible massive upgrade and replacement of airport fire engines in China in the coming years, the Group has sped up its development of the airport rapid mobilization fire trucks, which was designed with rapid speed acceleration to tackle fire on aircrafts running at high speed. Research was also conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularization and product standardization, in order to enhance manufacturing efficiency and reduce costs of production.

For the six months ended 30 June 2018

Upon completion of the Pteris Acquisition, there has been an expansion to the Group's business scope. In addition to the fire engines and fire equipment, it has since then also engaged in the design, manufacturing and sale of the following four major types of products and provision of related services: (i) passenger boarding bridges for connecting airport terminals to commercial aircrafts; (ii) airport ground support equipment such as airport apron buses, aircraft catering vehicles, cargo loaders and other specialized vehicles; (iii) automated parking systems, including vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems; and (iv) baggage, material and warehouse handling systems which comprise systems for sorting, handling and transportation of different types of baggage, cargo and goods and materials.

Because of the reverse accounting treatment required by HKFRS 3 "Business Combination" as detailed in Note 1 "Basis of preparation" to the condensed consolidated financial statements set out in the interim report of the Company for the six months ended 30 June 2018 published on 6 September 2018, the discussion and analysis for the period focuses on the new businesses to correspond with the consolidated financial statements. The comparative figures represented those of Pteris, unless otherwise specified.

Revenue of the Group for the period increased approximately 171.7% to approximately RMB991.1 million as compared to the corresponding period last year. Had revenue from the fire engines and fire equipment segments been excluded, revenue of the Group would still have surged approximately 132.5%

to approximately RMB848.3 million. Because of the revenue increase, the Group reported a net profit of approximately RMB64.2 million for the six months ended 30 June 2018, turnaround from the net loss of approximately RMB16.8 million for the same period in 2017

Passenger boarding bridge, ground support equipment and automated parking systems

Revenue for the period: approximately RMB561.0 million (2017: approximately RMB219.8 million); net profit for the period: approximately RMB56.8 million (2017: loss of approximately RMB10.3 million)

The increase in revenue for the period was mainly derived from the passenger boarding bridge business. The growth was partly due to a change in the accounting policies for revenue recognition when the new HKFRS 15 came into effect on 1 January 2018. Instead of recognizing revenue once at the completion of installation, revenue of a passenger boarding bridge contract is segregated into two performance obligations, namely sale of goods and installation services. Revenue for the sale of goods is recognized when it is delivered and upon customers' confirmation of receipt while revenue for the installation is recognized when installation works are completed with customers' acceptance. Revenue for the goods sold and recognized for the period, which would have been deferred until installation completed had the accounting policies not been changed, was approximately RMB165.0 million. Even if the effect of accounting policies change were discarded, revenue of the segment for the period would still rise by approximately RMB176.2 million or approximately 80.2% as compared to the corresponding period in 2017. This was because the Group had strengthened communication with customers to enhance and speed up the inspection and acceptance procedures such that more passenger boarding bridge contracts were completed (delivery of goods plus installation) during the period. Size of the passenger boarding bridge contracts recognized for 2018 was also comparatively larger as the average contract revenue was approximately 68% higher than that for 2017.

Baggage, material and warehouse handling systems

Revenue for the period: RMB approximately 287.3 million (2017: approximately RMB145.0 million); net loss for the period: approximately RMB4.5 million (2017: approximately RMB6.5 million)

The increase in revenue for the period was mainly due to (i) geographical expansion; and (ii) satisfactory progress of projects at work and increased number of contracts delivered. The Group has been strengthening its efforts to bolster its development of the US market since years ago and it has seen the pay off as revenue from the US market has contributed approximately 32% of the segment's revenue for the period and approximately 39% of the increment recorded. 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, shelving, sorting, retrieving and delivery in a warehouse all made automatic through an intelligent management system. The broadened market coverage has pushed up the amount of contracts secured and thus the revenue recognized. The Group has secured and completed the contracts from SF Express and Deppon Express and also warehouse management contract from Holike, a renowned custom-made home furniture manufacturer in the PRC during the period.

The segment incurred a loss in spite of the revenue increase because gross profits of baggage, material and warehouse handling systems projects were downward adjusted to seize larger market shares both in the PRC and overseas. Besides, more expenditure was spent on product development in order to enhance the Group's competitiveness.

Fire engines and fire prevention and fighting equipment

Revenue for the period: approximately RMB142.8 million; net profit for the period: approximately RMB9.3 million

Because of the reverse acquisition accounting, the fire engines and fire prevention and fighting equipment business of the Company (immediately before the completion of the Pteris Acquisition) was deemed to be acquired and thus, revenue and profit reported were the amounts for the period commencing after completion of the Pteris Acquisition and up to 30 June 2018. If the reverse acquisition accounting had not been taken into effect, revenue derived from fire engines and fire prevention and fighting equipment for the whole period from 1 January to 30 June 2018 would have grown by approximately 2.2% as compared to the corresponding period in 2017. Profit would have also increased by approximately 4.4% had the additional costs and expenses in relation to the fair value adjustments at acquisition completion been eliminated. To speed up the development of the fire engines and fire prevention and fighting equipment business, the Group has been powering up its product development capability and extending its geographical range through strengthening its internal development function and acquisitions. Upon completion of the Acquisition, in addition to the enlarged market, production capacity and product variety, it is anticipated that the technological know-how obtained would complement the Group's products under development including but not limited to the 60-metre jet spray fire trucks and 6x6 airport foam fire trucks.

Financial resources, liquidity, contingent liabilities and pledge of assets

For the year ended 31 December 2015

The Group's bank and cash balances at 31 December 2015 were approximately RMB115.8 million (2014: approximately RMB172.4 million), of which RMB10.7 million (2014: RMB8.4 million) was pledged for bid bond guarantee, performance guarantee, and guarantee for letter of credit issued. Outstanding balances of the short term bank loans borrowed by two of the Group's subsidiaries in Sichuan as at the year-end date were RMB40 million (2014: RMB100 million). Other than the repayment of bank loans, major cash outflows during the year were payment of interim dividend amounting to approximately RMB69.5 million in July 2015 and cash consideration of RMB37 million for acquisition of non-controlling interests in Sichuan Morita Fire Appliances Co., Ltd in December 2015.

As at 31 December 2015, the current assets and current liabilities of the Group were approximately RMB664.5 million (2014: approximately RMB1,080.0 million) and approximately RMB310.6 million (2014: approximately RMB721.1 million) respectively. The current ratio was approximately 2.1 times (2014: approximately 1.5 times). Gearing ratio (interest bearing debt/total equity (non-controlling interests excluded)) at end of the year was approximately 4.0% (2014: approximately 18.2%). The reduction in the amounts of current assets and current liabilities at end of 2015 was due to the completion of disposal of certain major subsidiaries in 2015. Those subsidiaries were classified as disposal group held for sale in 2014 as referred to in note 29 to the consolidated financial statements set out in the annual report of the Company for the year ended 31 December 2015 published on 21 April 2016. Since the assets of the disposal group were materially impaired with reference to the consideration of the disposal last year, the disposal of the related assets and liabilities had led to the improvement in the Group's current ratio at end of the current year. Reduction in gearing ratio was mainly due to the issuance of new shares for the acquisition of Ziegler.

RMB was the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases were primarily denominated in RMB and HK$. The Group used forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than RMB and HK$ when considered necessary. There was no forward foreign currency exchange contract outstanding at 31 December 2015.

Save as disclosed, the Group had no material contingent liabilities or pledge of assets for the year ended 31 December 2015.

For the year ended 31 December 2016

The Group's bank and cash balances at 31 December 2016 were approximately RMB135.8 million (2015: approximately RMB115.8 million), of which RMB3.3 million (2015: RMB10.7 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. Outstanding balances of the short term bank loans borrowed by a subsidiary in Sichuan as at the year-end date reduced to RMB10 million (2015: RMB40 million). The increase in net cash balances was mainly due to the Group's strengthened effort in recovering accounts receivables. The Group also strengthened its after-sales services to follow up with the problems that customers may encounter in respect of the products purchased so as to enhance their satisfaction and willingness to pay.

As at 31 December 2016, the current assets and current liabilities of the Group were approximately RMB568.1 million (2015: approximately RMB664.5 million) and approximately RMB257.7 million (2015: approximately RMB310.6 million) respectively. The current ratio was approximately 2.2 times (2015: 2.1 times). Gearing ratio (interest bearing debt/total equity (non-controlling interests excluded)) at the end of the year ended 31 December 2016 was approximately 1% (2015: approximately 4%). The reduction in current assets at the end of the year ended 31 December 2016 was mainly due to the decrease in the amounts due from an associate as the Group waived the loan receivable of RMB76 million (in the original currency of EUR10 million) from Ziegler in December 2016. In view of the improving performance of Ziegler for recent years and the growing sales orders received, the Group and CIMC, the other 60% shareholder as at 31 December 2016, approved Ziegler's conversion of the shareholders loans due into capital reserves in December 2016, in order to facilitate its raising of low-rate Euro bank loans in the local German market by improving its debt-to-equity ratio. Following Ziegler's loan-equity conversion, the Group recognized an increase in investment in associate to offset the reduction in amounts due from associate. Decrease in gearing ratio was due to the repayment of bank loans during the year ended 31 December 2016 as the Group's cash position improved.

RMB was the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases were primarily denominated in RMB and HK$. The Group used forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than RMB and HK$ when considered necessary. There was no forward foreign currency exchange contract outstanding at 31 December 2016.

Save as disclosed, the Group had no material contingent liabilities or pledge of assets for the year ended 31 December 2016.

For the year ended 31 December 2017

The Group's bank and cash balances at 31 December 2017 were approximately RMB133.8 million (2016: approximately RMB135.8 million), of which RMB9.2 million (2016: RMB3.3 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. All of the outstanding bank borrowings had been repaid during the year. Net cash balances had been maintained at a stable level, and the Group had been strengthening its after-sale services in an attempt to shorten the receivable turnover days by enhancing customers' product satisfaction and thus their efficiency in payment processing.

As at 31 December 2017, the current assets and current liabilities of the Group were approximately RMB654.0 million (2016: approximately RMB568.1 million) and approximately RMB331.1 million (2016: approximately RMB257.7 million) respectively. The current ratio was approximately 2.0 times (2016: approximately 2.2 times). As all outstanding borrowings had been repaid, the gearing ratio (interest bearing debt/total equity (non-controlling interests excluded)) reduced to zero at the end of the year ended 31 December 2017 (2016: approximately 1%). The gearing ratio in the future is expected to be increased by the issuance of convertible bonds and the loans borrowed by Pteris and its subsidiaries upon completion of the Pteris Acquisition. The Group has been considering an appropriate level of gearing so as to maintain financial stability and to facilitate its future growth.

RMB was the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases were primarily denominated in RMB and HK$. The Group used forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than RMB and HK$ when considered necessary. There was no forward foreign currency exchange contract outstanding at 31 December 2017.

Save as disclosed, the Group had no material contingent liabilities or pledge of assets for the year ended 31 December 2017.

For the six months ended 30 June 2018

The Group's net cash balances at 30 June 2018 were approximately RMB217.6 million (2017: approximately RMB108.1 million) and were broken down as follows:

	At 30 June 2018 *RMB'000*	**At 31 December 2017** *RMB'000*
Cash and bank balances	379,402	220,340
Pledged bank deposits	10,289	518
	389,691	220,858
Borrowings:		
– from bank	(112,116)	(112,731)
– from a fellow subsidiary	(60,000)	–
	(172,116)	(112,731)
Net cash and bank balances	217,575	108,127

The pledged bank deposits at 30 June 2018 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued, which will be released when the underlying matters are completed. During the six months ended 30 June 2018, major cash inflow items included (i) the proceeds of approximately RMB197.2 million from the issuance of 673,225,000 new shares of the Company at HKD0.366 each for cash, as detailed in Note 14(vi) to the condensed consolidated financial statements set out in the interim report of the Company for the six months ended 30 June 2018 published on 6 September 2018 (page 25); and (ii) loans amounting to RMB60 million borrowed from CIMC Finance. The Group had a net cash outflow from operating activities during the six months ended 30 June 2018 because of the increase in number of contracts and the average size of projects which led to (i) the increasing projects in progress (revenue not recognized yet) and related inventories at 30 June 2018; and (ii) the increase in accounts receivables for projects completed during the period ended 30 June 2018, especially quite a large amount of them were accepted by customers in May and June 2018, close to the end of the period ended 30 June 2018, which required time to have the receivables settled.

The Group's borrowings outstanding as at 30 June 2018 were all repayable by the end of 2018 and 2019. Their repayment is expected to be financed by internal funds generated from operating activities and new bank loans. As at 30 June 2018, current assets and current liabilities of the Group were approximately RMB3,091.0 million (31 December 2017: approximately RMB1,994.2 million and approximately RMB2,058.5 million (31 December 2017: approximately RMB1,555.5 million respectively. The current ratio was approximately 1.5 times (31 December 2017: approximately 1.3 times). The increase in current ratio was mainly due to the enlargement of assets of the Group following the completion of the Pteris Acquisition. The Group's gearing ratio, which was calculated as interest bearing debt/total equity, was approximately 8.7% at 30 June 2018 (31 December 2017: approximately

7.7%). The higher gearing ratio was due to the loans borrowed during the period and the issuance of convertible bonds to settle part of the consideration for the Pteris Acquisition and the TianDa Acquisition.

Some of the Group's revenue and costs and expenses were settled in currencies other than the functional currencies of the Group's subsidiaries. To mitigate exposure to exchange rates volatility, the Group entered into forward foreign currency contracts. As at 30 June 2018, the Group had outstanding forward exchange contracts: sell EUR/buy RMB and sell USD/buy SGD.

Save as disclosed, the Group had no material contingent liabilities or pledge of assets for the period ended 30 June 2018.

Investments, disposals and capital commitments

For the year ended 31 December 2015

Acquisition

The Group completed the acquisition of 40% equity interests in Ziegler, a limited liability company incorporated in Germany and one of the leading producers of fire engines globally, in July 2015. Ziegler is also engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components. The Company issued 1,223,571,430 shares of the Company to the vendor of Ziegler as settlement of the acquisition consideration. Ziegler was accounted for as an associate in the Group's consolidated financial statements and contributed to the Group a share of profit from the date of acquisition to the end of the year ended 31 December 2015 which amounted to approximately RMB15.2 million.

In addition to Ziegler, in December 2015, the Group acquired the 25% equity interests in Sichuan Morita Fire Appliances Co., Ltd held by a minority shareholder at a cash consideration of RMB37,000,000, increasing its ownership in Sichuan Morita Fire Appliances Co., Ltd from 75% to 100%. Sichuan Morita Fire Appliances Co., Ltd is the Group's major subsidiary engaged in the production and sale of fire engines and fire prevention and fighting equipment and made up over 75% of the Group's revenue for the year ended 31 December 2015. The carrying amount of the non-controlling interest at the date of acquisition was approximately RMB65.9 million.

Disposal

The Group completed the disposal of all the equity interests it held in the subsidiaries classified as disposal group held for sale in 2014 as referred to in note 29 to the consolidated financial statements set out in the annual report of the Company for the year ended 31 December 2015 published on 21 April 2016 at a cash consideration of RMB50,000,000 in April 2015. The disposal group was principally engaged in the provision of installation and maintenance of fire prevention and fighting systems services. Besides, the Group also disposed of some of the small wholly-owned subsidiaries that were either dormant or had little operating activities. The carrying values of the total assets and total liabilities of those small subsidiaries at the date of disposal were approximately RMB42,000 and RMB572,000 respectively. The gain on disposal of subsidiaries amounted to RMB2.1 million and was recognized for all of the disposals completed in the year ended 31 December 2015. During the year ended 31 December 2015, the Group had disposed of all the investments in associates (except for the interests in Ziegler which was acquired during the year). The associates disposed of were engaged in the production and sale of fire suppression foam and powder. The disposal resulted in no gain or loss as the carrying value of the investments was fully written off by the operating losses shared and impairment losses in the past.

Capital commitments

As at 31 December 2015, the Group had capital commitment of approximately RMB16.3 million (2014: RMB17.7 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located. The investment commitment was made when the land for the factory, which commenced operation in 2008, was acquired and included amount invested in land development, factory construction, equipment acquisition and other investment made for production.

For the year ended 31 December 2016

Capital commitments

As at 31 December 2016, the Group had capital commitment of approximately RMB14.2 million (2015: approximately RMB16.3 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located. The investment commitment was made when the land for the factory, which commenced operation in 2008, was acquired and included amount invested in land development, factory construction, equipment acquisition and other investment made for production.

Save as disclosed herein, the Group had no other material capital commitments, investments, acquisitions or disposals as at 31 December 2016.

For the year ended 31 December 2017

Investments

As set out in note 42 to the consolidated financial statements set out in the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018, the Group entered into the sale and purchase agreements in connection with the Pteris Acquisition and the TianDa Acquisition on 4 December 2017 to acquire equity interests in Pteris and TianDa. The completion of the Pteris Acquisition and the TianDa Acquisition were subject to certain conditions precedent, including but not limited to, the approval of the shareholders of the Company eligible to vote at the extraordinary general meeting on 11 April 2018. Details of the Pteris Acquisition and the TianDa Acquisition were also set out in the circular of the Company dated 15 March 2018.

Capital commitments

As at 31 December 2017, the Group had capital commitment of approximately RMB7.5 million (2016: approximately RMB14.2 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located. The investment commitment was made when the land for the factory, which commenced operation in 2008, was acquired and included amount invested in land development, factory construction, equipment acquisition and other investment made for production.

Save as disclosed herein, the Group has no other material capital commitments, investments, acquisitions or disposals as at 31 December 2017.

For the six months ended 30 June 2018

Investments

Apart from the Pteris Acquisition and TianDa Acquisition, the Group had no other business acquisitions or investments during the six months ended 30 June 2018. Subsequent to 30 June 2018, save for the Acquisition, the Group entered into the following agreements in respect of potential new investments:

(i) On 20 July 2018, the Group entered into an agreement to subscribe for RMB97,000,000 newly increased registered capital of CIMC Finance, representing 10.54% equity interests of its enlarged registered share capital, at a cash consideration of RMB149,995,328.18. The Group expects that the investment will strengthen the relationship between the Group and CIMC Finance, from which the Group can have better financial support. Besides, the investment also provides an additional income stream to the Group given the sound financial track records of CIMC Finance.

(ii) On 20 July 2018, the Group entered into an equity transfer agreement to acquire 10% equity interests in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) from a subsidiary of CIMC at nil consideration. Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) is an indirect wholly owned subsidiary of CIMC. It is principally engaged in the trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services. The investment is expected to secure a consistent and reliable supply of ancillary materials and products and services from Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) for the Group's production activities through fostering a closer relationship with it.

(iii) On 31 July 2018, the Group entered into an equity transfer agreement to acquire 60% equity interests in Shenyang Jietong at the cash consideration of RMB600,000,000. The acquisition is expected to provide an excellent opportunity for the Group to strengthen its portfolio of fire engines, in particular the aerial lifting trucks, and enlarge its geographical market coverage and production capacity.

(iv) On 28 August 2018, the Group entered into an equity transfer agreement to acquire 5% equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) at nil consideration. Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) is an indirect wholly-owned subsidiary of CIMC. It is principally engaged in supply chain management and sales services for various steel and aluminium products. The investment is expected to secure a consistent and reliable supply of quality steel and aluminium products and services from Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) for the Group's production activities through fostering a closer relationship with it.

The investment in (i) above was completed in December 2018. The completion of the investment referred to in (ii), (iii) and (iv) above is pending to the completion of the conditions precedents in their respective agreements which include, in particular, (a) the approval of shareholders of the Company in the extraordinary general meetings to be convened; and (b) completion of the industry and commence registration in respect of the equity transfer.

Capital commitments

As at 30 June 2018, the Group had capital commitment in respect of: (i) construction costs of factory premises which amounted to approximately RMB76 million (31 December 2017: approximately RMB158 million) (amount approved but not contracted for); and (ii) investment amount committed to the local government of the county in Sichuan where one of the Group's factory is located which amounted to approximately RMB5.9 million (31 December 2017: approximately RMB7.5 million). The investment commitment for the factory in Sichuan was made when the land for the factory, which commenced operation in 2008, was acquired and included amount invested in land development, factory construction, equipment acquisition and other investments made for production.

Save as disclosed herein, the Group had no material capital commitment, material investments, acquisitions or disposals during the six months ended 30 June 2018.

Employees and remuneration policies

For the year ended 31 December 2015

As at 31 December 2015, the Group had approximately 576 full-time employees (2014: 705). The decrease in number of staff was mainly due to the disposal of certain subsidiaries during the year ended 31 December 2015. Staff costs for the year (excluding directors' remuneration and those incurred for the discontinued operations) was approximately RMB48.2 million (2014: approximately RMB43.6 million). The Company issued share options to certain directors and employees in August 2015. Subject to the vesting conditions, the options were to be vested in a maximum of 2 years. They were valued at HK$20 million (approximately RMB16.6 million) at the date of grant and among which, HK$5 million (approximately RMB4.1 million) in relation to the value of the options granted to the employees from the date of grant to 31 December 2015 were charged to the profit for the year ended 31 December 2015 as share based payments.

For the year ended 31 December 2016

As at 31 December 2016, the Group had 550 full-time employees (2015: 576). Staff costs for the year (excluding directors' remuneration and those incurred for the discontinued operations) were approximately RMB53.2 million (2015: approximately RMB48.2 million). The Company issued share options to certain directors and employees in August 2015. Subject to the vesting conditions, the options were to be vested in a maximum of 2 years. They were valued at HK$20 million (approximately RMB16.6 million) at the date of grant and among which, HK$10.0 million (approximately RMB8.6 million) in relation to the value of the options for the year ended 31 December 2016 were charged to the profit for the year ended 31 December 2016 as share based payments. The share based payments charged to the profit for the year ended 31 December 2015, from the date of grant to 31 December 2015, were HK$5.0 million (approximately RMB4.1 million).

For the year ended 31 December 2017

As at 31 December 2017, the Group had approximately 567 full-time employees (2016: 550). Staff costs (excluding directors' remuneration) for the year was approximately RMB55.1 million (2016: approximately RMB53.2 million) and included in which was the share based payments amounted to approximately RMB3.8 million (2016: approximately RMB6.6 million) from the amortization of the fair value of share options over the two years vesting period commencing July 2015. Apart from the annual salaries and wage adjustment, staff costs for the year grew mainly due to the increase in number of staff for the research and development function.

For the six months ended 30 June 2018

For the six months ended 30 June 2018, the Group had 2,393 staff (2017: 1,658) and incurred staff costs (excluding directors' remuneration) of approximately RMB157.0 million (2017: approximately RMB138.2 million). The number of staff and staff costs (excluding directors' remuneration) for 2017 disclosed as comparatives figures were those of the Pteris Group due to the reverse accounting treatment required by the HKFRS 3 "Business Combination" as mentioned in the section headed "Business Review – For the period ended 30 June 2018". Number of staff increased mainly because of the additional staff brought by the Pteris Acquisition and staff hired due to increased orders, especially for passenger boarding bridge and baggage, material and warehouse handling systems. Apart from the increase in number of staff, staff costs rose because of annual salaries adjustments and additional social security funds contributions due to base increment.

Employee benefits and training schemes

Staff are remunerated by a monthly salaries payment plus performance incentives payable quarterly or yearly. All full-time employees were entitled to medical contributions, provident funds and retirement plans and housing funds contributions. The Group adopted share option schemes which offered eligible employees an incentive for better performance and loyalty with the Group.

The Group arranged in-house trainings periodically to staff at all levels according to their needs, like orientations on corporate culture, policies, products knowledge and basic job skills for new staff; leadership, management and strategic planning skills for managerial staff; and seminars and workshops on selected topics like project management, costs management, business planning and work safety. Employees may apply for subsidies to participate in job relevant trainings offered by recognized institutions. The Group also provided a series of comprehensive on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group comprising the Target Company and Shanghai Shundun for each of the three years ended 31 December 2015, 2016 and 2017 and the ten months ended 31 October 2018. The following financial information is based on the Accountant's Report of the Target Company as set out in Appendix II to this circular.

1. OVERVIEW OF THE TARGET GROUP

The Target Company is a limited liability company established in the PRC on 28 January 2010. It is principally engaged in the research and development, manufacturing and sales of fire engines and firefighting equipment.

Shanghai Shundun is a direct wholly-owned subsidiary of the Target Company as at the Latest Practicable Date. It was established under the laws of the PRC with limited liability on 7 March 2018 by the Target Company and is a dormant company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Target Company was held as to 100% by the Vendor and Zhou Xiangyi is the de facto controller of the Target Company. For the registered capital and shareholding structure of the Target Company before and after the Acquisition, please refer to the section headed "Information Relating to the Parties to the Equity Transfer Agreement" in the letter from the Board as set out in this circular.

2. FINANCIAL REVIEW

Revenue

The Target Group generates its revenue mainly from the sales of fire engines.

The revenue of the Target Group increased by approximately 83.8% from approximately RMB140.8 million for the year ended 31 December 2015 to approximately RMB258.8 million for the year ended 31 December 2016, which was the direct result of the restructuring of the Target Group after the Vendor bought out the Japanese shareholder and took the control of the Target Group in 2014. Leveraging on the experience of Mr. Zhou Xiangyi in the fire engines industry in the PRC and his good relationship with the fire authority in many provinces and cities, the sales orders solicited by the Target Group increased in a great extent. Moreover, the launching of new special vehicles, such as the road-rail fire trucks and jet-spray trucks, also promoted sales of the Target Group.

The revenue of the Target Group increased by approximately 16.6% from approximately RMB258.8 million for the year ended 31 December 2016 to approximately RMB301.7 million for the year ended 31 December 2017 due to (i) the increase in sales orders from the continuing effect of the restructuring commencing 2015; (ii) the expansion of sales teams in new geographical markets; and (iii) the launching of more new products.

The Target Group's revenue increased by approximately 28.0% to approximately RMB261.6 million for the ten months ended 31 October 2018 from approximately RMB204.4 million for the same period in 2017 mainly due to (i) the further expansion of the sales teams; and (ii) the increase in proportion of sale of the higher valued special vehicles to the total sales amount.

Gross profit

The gross profit and gross profit ratio of the Target Group increased from approximately RMB46.1 million and 32.7%, respectively, for the year ended 31 December 2015 to approximately RMB108.9 million and 42.1%, respectively, for the year ended 31 December 2016. The improvement was mainly due to (i) the result of cost control measures implemented by the Target Group including production modularisation, product standardisation and strengthened workers training to improve production efficiency and reduce wastage during the manufacturing process; and (ii) the launching of new special vehicles which generated higher profit margin.

The gross profit of Target Group increased from approximately RMB108.9 million for the year ended 31 December 2016 to approximately RMB123.5 million for the year ended 31 December 2017, although the gross profit ratio decreased slightly from 42.1% to 40.9%. The decrease in gross profit ratio was mainly due to the change in sales mix in terms of products and customers for the two years.

Gross profit increased from approximately RMB76.5 million for the ten months ended 31 October 2017 to approximately RMB102.1 million for the ten months ended 31 October 2018, with the gross profit ratio also increased from 37.4% to 39.0%. The increase was also due to change in sales mix in terms of products and customers for the two periods.

Selling and distribution expenses

The selling and distribution expenses of the Target Group primarily consist of staff costs, travelling expenses, entertainment expenses, consultation costs, commission for distributors, tender-related expenses, costs for after-sale services and promotion and advertising expenses.

Selling and distribution expenses for the years ended 31 December 2015, 2016 and 2017 amounted to approximately RMB15.7 million, RMB28.1 million and RMB34.5 million, respectively. The increase was mainly due to the increase in staff costs, travelling expenses, entertainment expenses and commission for distributors arising from (i) the employment of more sales representatives and sales supporting staff for business development and for strengthening the international sales team and after sales services team; (ii) annual pay adjustment; and (iii) the recruitment of more distributors in different cities. Tender-related expenses and promotional expenses for participation in overseas exhibitions had also increased for business development.

Selling and distribution expenses increased from approximately RMB24.5 million for the ten months ended 31 October 2017 to approximately RMB28.5 million for the ten months ended 31 October 2018, which was also mainly due to the increase in staff costs, travelling expenses, entertainment expenses and commission for distributors for business development.

General and administration expenses

The administrative expenses of the Target Group primarily consist of staff costs including contributions to social insurance, depreciation and amortisation, travelling expenses and research and development.

General and administrative expenses for the years ended 31 December 2015, 2016 and 2017 amounted to approximately RMB24.2 million, RMB32.2 million and RMB41.1 million, respectively. The increase was due to the increase in staff costs, entertainment expenses and research and development expenses. Additional staff was recruited for the expansion in operation of the Target Group. It has also increased its investment in the research and development function to enhance its product development capability for future business expansion.

General and administrative expenses increased from approximately RMB31.8 million for the ten months ended 31 October 2017 to approximately RMB38.1 million for the ten months ended 31 October 2018, which was mainly due to increase in expenses for research and development. More high calibre and experienced R&D staff were recruited to handle additional product development projects.

Operating profit

Primarily as a result of the increase in sales and gross profit, the operating profit of the Target Group increased from approximately RMB7.3 million for the year ended 31 December 2015 to RMB50.0 million for the year ended 31 December 2016. However, because of additional selling and distribution expenses for market development and the increase in general and administrative expenses arising from growth in staff costs and research and development expenses, the operating profit of the Target Group decreased slightly from approximately RMB50.0 million for the year ended 31 December 2016 to approximately RMB48.8 million for the year ended 31 December 2017.

Primarily as a result of the increase in sales and gross profit, the operating profit of the Target Group increased from approximately RMB20.9 million for the ten months ended 31 October 2017 to approximately RMB36.8 million for the ten months ended 31 October 2018.

Finance costs

The finance costs of the Target Group consist solely of interest on bank borrowings.

The finance cost of the Target Group remained comparatively stable for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015.

The finance cost of the Target Group increased from approximately RMB5.6 million for the year ended 31 December 2016 to approximately RMB7.3 million for the year ended 31 December 2017 mainly due to the increase in bank borrowings for the Target Group’s operational use.

The finance cost of the Target Group increased from approximately RMB5.9 million for the ten months ended 31 October 2017 to approximately RMB7.4 million for the ten months ended 31 October 2018, which was primarily attributable to increase in loan interest rate from the last quarter of 2017.

Profit for the year/period

As a result of the above, net profit for the years ended 31 December 2015, 2016 and 2017 was approximately RMB8.3 million, RMB38.0 million and RMB35.7 million respectively, and the net profit for the ten months ended 31 October 2017 and 2018 was approximately RMB13.0 million and RMB25.6 million, respectively.

3. MAJOR BALANCE SHEET ITEMS, LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Working capital

The Target Group finances its working capital primarily through funds generated from operations and bank borrowings. The management of the Target Group regularly monitors its liquidity requirements to ensure that the Target Group maintains sufficient funds to meet its short-term and long-term liquidity requirements.

Current assets

As at 31 December of 2015, 2016 and 2017 and 31 October 2018, the Target Group had current assets of approximately RMB211.9 million, RMB293.6 million, RMB367.1 million and RMB405.4 million, respectively, which mainly comprised trade receivables, contract assets, prepayment and other receivables, inventories, and cash and cash equivalents.

(a) Trade receivables

The trade receivables of the Target Group, which mainly comprise trade receivables due from customers, increased from approximately RMB61.8 million as at 31 December 2015 to approximately RMB107.6 million as at 31 December 2016, and further increased to approximately RMB146.6 million as at 31 December 2017. The above increases in the trade receivables of the Target Group were primarily due to increase in sales during the relevant years. In spite of the increase in trade receivables, the proportion of trade receivables aged over 181 days to the total amount of trade receivables (before provision for impairment) decreased from 41.6% at 31 December 2015 to 30.5% at 31 December 2016 and further decreased to 20.0% at 31 December 2017 due to enhance credit controls of the Target Group. The trade receivables of the Target Group increased further to approximately RMB204.3 million as at 31 October 2018 because the settlement of a large amount of receivables took place in November and December 2018. A larger amount of the Target Group's receivables are normally paid in the last two months each year.

(b) Contract assets

The contract assets of the Target Group, which are mainly the part of the trade receivables that are due for payment only after the expiry of the warranty periods, increased from approximately RMB14.9 million as at 31 December 2015 to approximately RMB21.1 million as at 31 December 2016, and further increased to RMB38.2 million at 31 December 2017, which was primarily attributable to the increase in sales of fire engines. The Target Group normally gives warranty period of one to two years to its customers. The contract assets are recognised at the time when sales are recognised but customers are not liable to pay until the expiry of the warranty period.

The contract assets of the Target Group decreased from RMB38.2 million as at 31 December 2017 to RMB34.0 million as at 31 October 2018 primarily because of (i) the settlement received from certain customers; and (ii) the recognition of a significant part of the sales for 2018 upon delivery in November and December 2018.

(c) Prepayments and other receivables

The prepayments and other receivables of the Target Group amounted to approximately RMB34.5 million, RMB46.7 million and RMB48.8 million as at 31 December 2015, 2016 and 2017, respectively. The increase in prepayments and other receivables at 31 December 2016 as compared to that at 31 December 2015 was mainly attributable to (i) the increase in tender deposits paid with the increase in number of tenders participated by the Target Company; and (ii) the increase in prepayments for raw materials and components and imported chassis for increased orders solicited.

The prepayments and other receivables of the Target Group increased from approximately RMB48.8 million as at 31 December 2017 to approximately RMB78.3 million as at 31 October 2018, primarily due to the increase in prepayments for raw materials and components and imported chassis. A large amount of prepayment was net off against trade payables in December 2018 when invoices were received from suppliers.

(d) Inventories

The inventories of the Target Group, which mainly comprised raw materials and components, work in progress and finished goods, decreased from approximately RMB72.2 million as at 31 December 2015 to approximately RMB66.4 million as at 31 December 2016, primarily because the Target Group strengthened its inventory control to reduce the accumulation of inventories and to release cash tied up.

The inventories of the Target Group increased from approximately RMB66.4 million as at 31 December 2016 to approximately RMB72.5 million as at 31 December 2017, primarily due to the increase of sales orders.

The inventories of the Target Group decreased from approximately RMB72.5 million as at 31 December 2017 to approximately RMB63.7 million as at 31 October 2018, primarily due to the further strengthening of inventory control and production scheduling to reduce the accumulation of inventories.

(e) Cash and cash equivalents

The cash and cash equivalents of the Target Group increased from approximately RMB24.0 million as at 31 December 2015 to approximately RMB44.4 million as at 31 December 2016, and further increased to approximately RMB49.1 million as at 31 December 2017 primarily due to increase in bank borrowings to support the business growth of the Target Company.

The cash and cash equivalents of the Target Group decreased from approximately RMB49.1 million as at 31 December 2017 to approximately RMB8.1 million as at 31 October 2018, primarily due to increase in trade receivables and prepayments and other receivables as a result of the increase in sales of the Target Company, which had led to the net cash outflow from operating activities.

Non-current assets

As at 31 December of 2015, 2016 and 2017 and 31 October 2018, the Target Group had non-current assets of approximately RMB52.6 million, RMB48.2 million, RMB48.0 million and RMB46.5 million, respectively, which mainly comprised property, plant and equipment and land use rights.

(a) Property, plant and equipment

The property, plant and equipment of the Target Group decreased from approximately RMB25.5 million as at 31 December 2015 to approximately RMB24.5 million as at 31 December 2016, and further decreased to approximately RMB24.4 million as at 31 December 2017 and to approximately RMB22.4 million as at 31 October 2018, was primarily due to the depreciation of property, plant and equipment of the Target Group over the relevant years/period but the effect was partly offset by new machineries and equipment purchased.

(b) Land use rights

The land use rights of the Target Group increased from approximately RMB20.3 million as at 31 December 2015 to RMB22.7 million as at 31 December 2016 primarily due to the expenditure incurred for land improvement. The land use rights decreased to approximately RMB22.2 million as at 31 December 2017 and further decreased to approximately RMB21.8 million as at 31 October 2018, was primarily due to the amortisation of land use rights of the Target Group over the relevant years/period.

Current liabilities

As at 31 December of 2015, 2016 and 2017 and 31 October 2018, the Target Group had current liabilities of approximately RMB216.3 million, RMB254.7 million, RMB288.9 million and RMB308.5 million, respectively, which mainly comprised trade and other payables and short term borrowings.

(a) Trade and other payables

The trade and other payables of the Target Group increased from approximately RMB57.5 million as at 31 December 2015 to approximately RMB58.0 million as at 31 December 2016, and further increased to approximately RMB73.7 million as at 31 December 2017 primarily due to the increase in sales orders and increase in profits tax payable as a result growth in profit.

The trade and other payables of the Target Group increased from approximately RMB73.7 million as at 31 December 2017 to approximately RMB116.3 million as at 31 October 2018, primarily due to the increase in sales orders and a dividend payable of RMB10,000,000 to the Vendor declared in 2018. As disclosed in the letter from the Board as set out in this Circular, pursuant to the Equity Transfer Agreement, the Vendor is entitled to distribution of dividends of not more than RMB10,000,000 out of the audited accumulated undistributed profits of the Target Group prior to Completion.

(b) Contract liabilities

The contract liabilities of the Target Group, which mainly represented receipt in advance from customers, increased from approximately RMB49.7 million as at 31 December 2015 to approximately RMB55.2 million as at 31 December 2016, which was mainly due to increase in sales for 2016.

The contract liabilities decreased from approximately RMB55.2 million as at 31 December 2016 to RMB38.5 million as at 31 December 2017 and further decreased to RMB17.3 million as at 31 October 2018 because of the change in contract terms with customers such that advance payments were reduced to keep the Target Group competitive in the market.

(c) Borrowings

The borrowings of the Target Group, which are due for repayment within one year, increased from approximately RMB108.1 million as at 31 December 2015 to approximately RMB140.2 million as at 31 December 2016, and further increased to approximately RMB170.3 million as at 31 December 2017 primarily due to the operating cash requirements of the Target Group as a result of its expansion in sales and production.

The borrowings of the Target Group increased from approximately RMB170.3 million at 31 December 2017 to approximately RMB171.1 million as at 31 October 2018 due to the interest accrued for.

Of the bank borrowings at 31 December 2015, approximately RMB60.0 million was secured by (i) the leasehold land of the Target Group with carrying value of RMB20.3 million; (ii) certain buildings of the Target Group with carrying value of approximately RMB10.6 million; and (iii) personal guarantee by Zhou Xiangyi. The remaining RMB48.0 million was secured by (i) land and buildings owned by a company controlled by Zhou Xiangyi; and (ii) corporate guarantee by the Vendor and personal guarantee by Zhou Xiangyi.

Of the bank borrowings at 31 December 2016, RMB60.0 million was secured by (i) the leasehold land of the Target Group with carrying value of RMB19.8 million; (ii) certain buildings of the Target Group with carrying value of approximately RMB9.9 million; and (iii) personal guarantee by Zhou Xiangyi. The remaining RMB80.0 million was secured by (i) land and buildings owned by a company controlled by Zhou Xiangyi; and (ii) corporate guarantee by the Vendor and personal guarantee by Zhou Xiangyi.

Of the bank borrowings at 31 December 2017, RMB110.0 million was secured by (i) the leasehold land of the Target Group with carrying value of RMB19.3 million; (ii) certain buildings of the Target Group with carrying value of approximately RMB9.2 million; and (iii) personal guarantee by Zhou Xiangyi. The remaining RMB60.0 million was secured by (i) land and buildings owned by a company controlled by Zhou Xiangyi; and (ii) corporate guarantee by the Vendor and personal guarantee by Zhou Xiangyi.

Of the bank borrowings at 31 October 2018, RMB110.0 million of which was secured by (i) the leasehold land of the Target Group with carrying value of RMB18.9 million; (ii) certain buildings of the Target Group with carrying value of approximately RMB8.7 million; and (iii) personal guarantees by Zhou Xiangyi and his wife. The remaining RMB60.0 million were secured by (i) land and buildings owned by a company controlled by Zhou Xiangyi; and (ii) corporate guarantee by the Vendor and personal guarantee by Zhou Xiangyi.

The bank borrowings of the Target Group were all at variable interest rates. The weighted average interest rate per annum of the bank borrowings for the three years ended 31 December 2015, 2016 and 2017, and the ten months ended 31 October 2018 were 5.09%, 4.53%, 4.72% and 5.16%, respectively.

Non-current liabilities

As at 31 December of 2015, 2016 and 2017 and 31 October 2018, the Target Group had non-current liabilities of approximately RMB0.8 million, RMB1.6 million, RMB5.1 million and RMB6.9 million, respectively, which represented government grants received from the Shanghai Lingang District Development and Construction Committee for the development of fire-fighting turntable ladder products. The grants received were recorded as deferred income and will recognised as other income when conditions as specified in the grant are fulfilled.

4. LIQUIDITY AND CASH FLOWS

The following table sets forth the Target Group's cash flows for the periods indicated:

	For the year ended 31 December			For the ten months ended 31 October	
	2015	2016	2017	2017	2018
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
Net cash generated from/(used in) operating activities	9,410	(1,312)	(14,617)	(39,847)	(33,177)
Net cash used in investing activities	(204)	(5,074)	(3,506)	(3,499)	(1,038)
Net cash (used in)/generated from financing activities	(7,746)	26,491	22,747	24,855	(6,540)
Net increase/(decrease) in cash and cash equivalents	1,460	20,105	4,624	(18,491)	(40,755)
Cash and cash equivalents at the beginning of the year/period	22,143	24,043	44,444	44,444	49,056
Exchange gains/(losses) on cash and cash equivalents	440	296	(12)	19	(197)
Cash and cash equivalents at the end of the year/period	24,043	44,444	49,056	25,972	8,104

Net cash flow generated from/(used in) operating activities

Except for the year ended 31 December 2015, the Target Group had net cash outflow for the year ended 31 December 2016 and 2017 and for the ten months ended 31 October 2018. The Target Group has implemented measures to strengthen its credit control including (i) classifying long outstanding trade receivables by problems associated and assigning specific staff responsible for problems solving to speed up the recovery of trade receivables; and (ii) enhancing motivation of sales persons to chase for outstanding trade receivables by incorporating amount of trade receivables outstanding as a critical factor in their performance assessment.

Net cash flow used in investing activities

The Target Group's net cash used in investing activities for the years ended 31 December 2015, 2016 and 2017 and for the ten months ended 31 October 2018 were mainly for acquisition of property, plant and equipment.

Net cash flow from/(used in) financing activities

The Target Group's net cash from/(used in) financing activities for the years ended 31 December 2015, 2016 and 2017 and for the ten months ended 31 October 2018 were mainly proceeds received and repayment of bank borrowings.

Gearing ratio

As at 31 December of 2015, 2016 and 2017 and 31 October 2018, the gearing ratio (being interest bearing debt over total equity) was approximately 228.0%, 164.1%, 140.5% and 125.3%, respectively. The changes in gearing ratio were mainly due to the improvement in the Target Group's profitability.

Current ratio

The Target Group's current ratio (being current assets divided by current liabilities) as at 31 December of 2015, 2016 and 2017 and 31 October 2018 was approximately 98.0%, 115.2%, 127.1% and 131.4%, respectively, showing improvement in the Target Group's liquidity.

5. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018, the total number of employees of the Target Group was 210, 262, 319 and 331, respectively.

For the three years ended 31 December 2015, 2016 and 2017, and the ten months ended 31 October 2018, the total employee remuneration expenses (including directors' remuneration) of the Target Group were approximately RMB18.0 million, RMB26.5 million, RMB36.1 million and RMB31.8 million, respectively.

The Target Group contributes to retirement schemes which are available to all of its employees in accordance with the relevant laws and regulations in the PRC. Employees of the Target Group are entitled to discretionary bonus, and will be awarded monetary rewards for full attendance and introducing creative ideas on product design and work improvement and for other contributions to the Target Group.

Save as disclosed above, there are no other remuneration policies, bonus and share option schemes for the employees of the Target Group. The Target Group provides periodic trainings to workers with a view to constantly improving their skills and knowledge in production and quality control. New employees are given orientation trainings on corporate culture and company policies upon joining the Target Group. Classroom trainings in educational institutions are occasionally arranged for the managerial staff.

6. CHARGE ON ASSETS

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018, the following assets of the Target Group were pledged as collaterals to secure the bank borrowings of the Target Group:

	As at 31 December 2015 *(RMB'000)*	**As at 31 December 2016** *(RMB'000)*	**As at 31 December 2017** *(RMB'000)*	**As at 31 October 2018** *(RMB'000)*
Land use rights	20,324	19,822	19,320	18,902
Building	10,567	9,891	9,215	8,652
Total	30,891	29,713	28,535	27,554

7. FOREIGN EXCHANGE RISK

Most of the Target Group's revenue, expenses, assets and liabilities are denominated in RMB, which is the functional currency of all the members of the Target Group. The Target Group also uses RMB as its reporting currency. The Directors believe that the Target Group's operations are not currently subject to any significant direct foreign exchange risk and the Target Group did not use any financial instruments to hedge its exposure to such risk. The management of the Target Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

8. CAPITAL COMMITMENTS

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018, the Target Group had no material capital commitment.

9. MATERIAL INVESTMENT, ACQUISITION AND DISPOSALS

There was no material investment, acquisition and disposal during the years ended 31 December 2015, 2016 and 2017 and the ten months ended 31 October 2018.

10. CONTINGENT LIABILITIES

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018, the Target Group had no material contingent liabilities.

11. OUTLOOK AND FUTURE PROSPECTS

The Target Group is principally engaged in the manufacturing of fire engines in the PRC.

The fire engine manufacturing industry in the PRC has been rapidly growing and it is expected that there will be a continuous growth in domestic demand for fire engines in the PRC attributable to the change in rules on tax, such that fire engines and chassis for fire engines imported by fire brigades are no longer exempted from import tax. Domestic fire engines manufacturers including the Target Group will benefit from the increasing demand for quality locally produced fire engines due to the higher costs of imported fire engines. Besides, to catch up with the international standards, many new quantitative and qualitative equipment standards are imposed by the PRC Government and cities and towns all over the country are equipping their fire brigades with upgraded fire engines and equipment.

Leveraging on its reputation as a professional manufacturer of fire engines, the Target Group will seek to capture every business opportunity and continue to improve its existing products by strengthening its research and development function. The Target Group will also further broaden its geographical market coverage and seek to open up the overseas markets.

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 respect 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

(i) Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the directors or chief executive has any interest or short positions 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of the director	Capacity and type of interests	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	6.78%

Share Options of the Company

As at the Latest Practicable Date, the Company had the following share options outstanding which were granted to certain directors of the Company in accordance with the terms of the share option scheme of the Company adopted on 29 May 2009.

Name of the director	Number of shares of HK$0.01 each of the Company issuable under the options	Percentage of the issued share capital of the Company
Jiang Xiong	4,000,000	0.028%
Loke Yu	4,000,000	0.028%
Heng Ja Wei	4,000,000	0.028%
Ho Man	2,000,000	0.014%
	14,000,000	0.098%

(ii) Substantial Shareholders

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in the ordinary shares and shares interested under the equity derivatives of the Company

Name	Capacity/ 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 and underlying Shares under equity derivatives *(Note 12)*	Percentage of issued Shares *(Note 13)*
Sharp Vision	Beneficial owner	6,164,472,279(L)	3,454,490,318(L)	9,618,962,597(L)	50.5%
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430(L)	–	1,223,571,430(L)	6.4%
Cooperatie CIMC U.A	Interest of a controlled corporation *(Note 2)*	1,223,571,430(L)	–	1,223,571,430(L)	6.4%
CIMC HK	Interest of a controlled corporation *(Note 3 & 4)*	7,388,043,709(L)	3,454,490,318(L)	10,842,534,027(L)	56.9%

Name	Capacity/ 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 and underlying Shares under equity derivatives *(Note 12)*	Percentage of issued Shares *(Note 13)*
CIMC	Interest of a controlled corporation *(Note 5)*	7,388,043,709(L)	3,454,490,318(L)	10,842,534,027(L)	56.9%
Fengqiang	Beneficial owner	2,290,956,291(L)	325,795,402(L)	2,616,751,693(L)	13.7%
Fengqiang Hong Kong Co., Limited	Interest of a controlled corporation *(Note 6)*	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693(L)	13.7%
TGM	Interest of a controlled corporation *(Note 6)*	2,290,956,291 (L)	325,795,402(L)	2,616,751,693(L)	13.7%
Genius Earn Limited	Beneficial owner	115,375,000(L)	–	115,375,000(L)	0.6%
Lucky Rich	Beneficial owner	1,264,679,470(L)	697,884,300(L)	1,962,563,770 (L)	10.3%
Shanghai Yunrong Investment Centre* (上海蘊融投資中心(有限合夥))	Interest of a controlled corporation *(Note 7)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
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)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
Liu Xiaolin	Interest of a controlled corporation *(Note 8)*	1,380,054,470(L)	697,884,300(L)	2,077,938,770(L)	10.9%

Name	Capacity/ 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 and underlying Shares under equity derivatives *(Note 12)*	Percentage of issued Shares *(Note 13)*
Yang Yuan	Interest of Spouse *(Note 9)*	1,380,054,470 (L)	697,884,300(L)	2,077,938,770 (L)	10.9%
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)*	1,264,679,470(L)	697,884,300(L)	1,962,563,770(L)	10.3%
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)*	1,264,679,470(L)	697,884,300(L)	1,962,563,770(L)	10.3%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 10)*	1,264,679,470(L)	697,884,300(L)	1,962,563,770(L)	10.3%
Jingwei Textile Machinery Co., Ltd.	Interest of a controlled corporation *(Note 10)*	1,264,679,470(L)	697,884,300(L)	1,962,563,770(L)	10.3%

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 6,164,472,279 shares and 3,454,490,318 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 7,338,043,709 shares and 3,454,490,318 shares interested under equity derivatives in which CIMC HK has declared interest for the purpose of the SFO.

6. Fengqiang HK Co., Limited 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 Co., Limited 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 Co., Limited 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 1,264,679,470 shares and 697,884,300 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 115,375,000 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 and percentage stated represents the number of shares held and as percentage of the issued share capital of the Company at the Latest Practicable Date.

12. Number of shares represents the number of shares held assuming all of the outstanding convertible bonds held have been fully converted.

13. Percentage calculated based on the total number of shares of the Company in issue, assuming (i) all of the convertible bonds of the Company have been fully converted; and (ii) all of the share options of the Company have been exercised.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

On 4 December 2017, the Company and Wang Sing, entered into a sales and purchase agreement to acquire 78.15% and 21.26% respectively of the equity interests in Pteris, a non-wholly owned subsidiary of CIMC, from Sharp Vision and Fengqiang. Fengqiang is wholly-owned by TGM, a company owned by the employees of Pteris and its subsidiaries. The considerations paid to Sharp Vision and Fengqiang were RMB2,992,459,264 and RMB814,071,452, respectively. Mr. Zheng Zu Hua and Mr. Luan You Jun, each being an executive director of the Company, hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively. Details of the Pteris Acquisition are set out in the joint announcement of the Company and CIMC dated 4 December 2017 and in the circular of the Company dated 15 March 2018. The Pteris Acquisition was completed on 23 April 2018.

Save as disclosed above, since 31 December 2017, the date to which the latest published audited financial statements of the Group were made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group which is significant in relation to the business of the Group taken as a whole.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or terminable by the Company or any of its subsidiaries within one year without payment of any compensation (other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was beneficially interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which are, or may be material:

(a) a joint venture agreement dated 24 December 2016 entered into between TianDa and Jieyang Liulin Investment Co., Ltd.* (揭陽市六林投資有限公司) in relation to the establishment of Shenzhen CIMC-TianDa Jirong Air Refrigeration Co., Ltd.* (深圳中集天達吉榮航空製冷有限公司), in which TianDa made a contribution of RMB35 million, representing 70% of its registered capital;

(b) a business transfer agreement dated 21 February 2017 entered into between Shenzhen CIMC-TianDa Jirong Air Refrigeration Co., Ltd.* (深圳中集天達吉榮航空製冷有限公司) (a non-wholly owned subsidiary of TianDa) and Guangdong Jirong Air-conditioning Co., Ltd.* (廣東吉榮空調有限公司) in relation to the transfer of aircraft ground air conditioning business at the consideration of RMB48.88 million;

(c) an equity transfer agreement dated 8 May 2017 entered into between Zhengzhou Jinjibao Electronic Technology Co., Ltd.* (鄭州金集寶電子科技有限公司) and four other individuals as sellers, and TianDa and Kunshan CIMC Logistic Automation Equipment Co., Ltd.* (昆山中集物流自動化設備有限公司) (a wholly-owned subsidiary of TianDa) as purchasers in relation to the transfer of 100% equity interests in Zhengzhou KT logistics Automation System Co., Ltd.* (鄭州金特物流自動化系統有限公司) at the consideration of RMB20 million;

(d) 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 TianDa held by Lucky Rich at the consideration of RMB610,553,589;

(e) 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;

(f) 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;

(g) 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 by TianDa at the consideration of RMB149,995,328.18;

(h) an equity transfer agreement dated 20 July 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) in relation to the acquisition by the Purchaser of 10% of the equity interests in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration;

(i) an equity transfer agreement dated 31 July 2018 entered into by and among the Purchaser, Shenyang Jietong, and seven PRC residents who collectively owned 100% of Shenyang Jietong in respect of the acquisition by the Purchaser of 60% equity interests in Shenyang Jietong at cash consideration of RMB600,000,000;

(j) an equity transfer agreement dated 28 August 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) in respect of the acquisition by the Purchaser of 5% of the equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration;

(k) the Equity Transfer Agreement; and

(l) a supplemental agreement dated 30 November 2018 entered into by and among the Purchaser, Shenyang Jietong, and seven PRC residents who collectively owned 100% of Shenyang Jietong to amend certain terms of the equity transfer agreement in respect of the acquisition of 60% equity interest of Shenyang Jietong.

Save for the contracts described as above, there were no material contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date.

7. LITIGATION

Rental dispute

A subsidiary of the Company was named as a defendant in a litigation case in Chengdu in respect of a rental dispute for a property leased for operating a hotel. The Group sold the hotel business in 2014. The subsidiary lost in the case and the Group has made a provision for the claims against the Group of RMB16.2 million for the year ended 31 December 2016 (disclosed as other expenses in 2016 annual report of the Group). The subsidiary appealed and the court of appeal overturned the original judgement and ordered a retrial in June 2017. The landlord and the Group entered into a settlement agreement in January 2019, pursuant to which the Group agreed to pay a sum of approximately RMB3.5 million to the landlord.

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 a compensation of RMB170,147,725.39. The first court hearing was held in The Court of First Instance in September 2018. No judgement has been delivered by the court as at the Latest Practicable Date.

Investment dispute

A subsidiary of the Company filed a written administrative accusation* (行政起訴狀) in 30 December 2018 against the Longyan City Housing and Urban Construction Bureau* (福建省龍岩市住房和城鄉建設局) (the "Longyan City Bureau"), pursuant to which, the subsidiary petition for an official termination of the contract with Longyan City Bureau 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 loss and damages incurred. No judgement has been delivered by the court as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert who has provided advice for inclusion in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any 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, the above expert did not have any direct or indirect interest in any assets which had since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The company secretary of the Company is Ms. Li Ching Wah. She is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at P.O. Box 2681, Cricket Square, Hutchins Drive, 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 share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

(e) The principal share registrars of the Company is SMP Partners (Cayman) Limited.

(f) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong from 9:30 a.m. to 5:30 p.m. on any weekdays, except for public holidays 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 years ended 31 December 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018;

(c) each of the material contracts set out under the paragraph headed "Material Contracts" in this appendix;

(d) the letter from the Board as set out in this circular;

(e) the accountant's report on Target Group, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the letters of consent from the expect identified in the section headed "Qualification and Consent of Expects" above in this appendix;

(h) the circular of the Pteris Acquisition and Tianda Acquisition dated 15 March 2018;

(i) the circular of the Company dated 16 October 2018;

(j) the circular of the Company dated 15 November 2018; and

(k) 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 HEREBY GIVEN that the extraordinary general meeting of CIMC-TianDa Holdings Company Limited (the "**Company**") will be held at 3:00 p.m. on 23 April 2019 (Tuesday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the circular of the Company dated 25 March 2019.

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the form and substance of the Equity Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) any one of the directors of the Company be and is hereby authorised to sign, execute, perfect, deliver, negotiate, agree and do all such documents, deeds, acts, matters and things, as the case may be, as he or she may, in his or her opinion or discretion, consider reasonable, necessary, desirable or expedient to implement and/or give effect to the Equity Transfer Agreement, and all the transactions contemplated thereunder with any changes as such director may consider reasonable, necessary desirable or expedient."

2. "**THAT** conditional upon the passing of resolution 1, the grant of the Specific Mandate for the Board to issue, pursuant to the Equity Transfer Agreement, up to 551,564,448 Consideration Shares be and hereby approved."

By order of the Board
CIMC-TianDa Holdings Company Limited
Li Ching Wah
Company Secretary

Hong Kong, 25 March 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
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

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Tuesday, 16 April 2019 to Tuesday, 23 April 2019. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 April 2019.

5. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

6. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.

7. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the non-executive Directors are Dr. Li Yin Hui (Chairman), Mr. Yu Yu Qun and Mr. Robert Johnson; the executive Directors are Mr. Jiang Xiong (Honorary Chairman), Mr. Zheng Zu Hua and Mr. Luan You Jun; and the independent non-executive Directors are Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man.