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CIMC | TianDa

CIMC-TianDa Holdings Company Limited

中集天達控股有限公司

(formerly known as China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

**HALF-YEARLY RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

HIGHLIGHTS

- On 23 April 2018, the Company completed the Pteris Acquisition which has been accounted for as a reverse acquisition in accordance with HKFRS 3 “*Business Combinations*”. Accordingly, Pteris was deemed to be the accounting acquirer to acquire CFE at date of completion of the Pteris Acquisition.
- Revenue of the Group for the six months ended 30 June 2018 increased 172% to RMB991 million.
- Profit attributable to owners of the Company for the period was RMB58 million (2017: loss of RMB11 million).

Basic earnings per share for the period was RMB0.63 cent (2017: loss per share of RMB0.17 cent). Diluted earnings per share for the period was RMB0.43 cent (2017: loss per share of RMB0.17 cent).

- The Board does not recommend the payment of a dividend for the six months ended 30 June 2018.

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | (Unaudited) | |
|---|------|----------------------------------|------------------|
| | | For the six months ended 30 June | |
| | Note | 2018 RMB'000 | 2017 RMB'000 |
| Revenue | 2 | 991,104 | 364,789 |
| Cost of sales and services | | <u>(801,436)</u> | <u>(289,811)</u> |
| Gross profit | | 189,668 | 74,978 |
| Other income | 3 | 32,430 | 27,482 |
| Selling and distribution costs | | (30,429) | (18,348) |
| Administrative expenses | | <u>(111,001)</u> | <u>(99,051)</u> |
| Profit/ (loss) from operations | | 80,668 | (14,939) |
| Finance costs | 4 | (6,756) | (3,440) |
| Share of profit of an associate | | <u>880</u> | <u>-</u> |
| Profit/ (loss) before tax | | 74,792 | (18,379) |
| Income tax (expense) / credit | 5 | <u>(10,641)</u> | <u>1,583</u> |
| Profit/ (loss) for the period | 6 | <u>64,151</u> | <u>(16,796)</u> |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | 6,153 | 16,272 |
| Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and land use rights | | - | 594 |
| Share of other comprehensive income of an associate | | <u>131</u> | <u>-</u> |
| Other comprehensive income for the period, net of tax | | <u>6,284</u> | <u>16,866</u> |
| Total comprehensive income for the period | | <u>70,435</u> | <u>70</u> |
| Profit/ (loss) for the year attributable to: | | | |
| Owners of the Company | | 58,451 | (10,674) |
| Non-controlling interests | | <u>5,700</u> | <u>(6,122)</u> |
| | | <u>64,151</u> | <u>(16,796)</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

| | | (Unaudited) | |
|---|-------------|----------------------------------|----------------------|
| | | For the six months ended 30 June | |
| | <i>Note</i> | 2018 | 2017 |
| | | RMB'000 | RMB'000 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 64,699 | 6,192 |
| Non-controlling interests | | <u>5,736</u> | <u>(6,122)</u> |
| | | <u>70,435</u> | <u>70</u> |
| Earnings/ (loss) per share (RMB cent) | | | |
| Basic | 7 | <u>0.63</u> | <u>(0.17)</u> |
| Diluted | | <u>0.43</u> | <u>(0.17)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
|---|----|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Prepaid land lease payments | 9 | 114,644 | 70,727 |
| Property, plant and equipment | 10 | 740,316 | 551,190 |
| Investment properties | | 244,126 | 246,020 |
| Intangible assets | 11 | 341,032 | 229,315 |
| Investments in an associate | 12 | 572,736 | - |
| Deferred income tax assets | | 24,132 | 21,491 |
| Other non-current assets | | 5,981 | 4,019 |
| | | 2,042,967 | 1,122,762 |
| Current assets | | | |
| Inventories | | 922,326 | 510,504 |
| Contract asset | | 206,935 | 163,511 |
| Trade and bills receivables | 13 | 1,328,993 | 945,031 |
| Prepayments, deposits and other receivables | | 241,806 | 152,057 |
| Other financial assets | | 290 | 2,202 |
| Amount due from related parties | | 1,000 | - |
| Pledged bank deposits | | 10,289 | 518 |
| Bank and cash balances | | 379,402 | 220,340 |
| | | 3,091,041 | 1,994,163 |
| Total assets | | 5,134,008 | 3,116,925 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 14 | 1,778,028 | 506,742 |
| Reserves | | 1,073,261 | 717,622 |
| | | 2,851,289 | 1,224,364 |
| Non-controlling interests | | 43,463 | 241,405 |
| Total equity | | 2,894,752 | 1,465,769 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

| | | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
|---------------------------------------|--------------|--|--|
| | <i>Notes</i> | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Trade and other payables | 15 | 20,134 | 15,455 |
| Convertible bonds | 16 | 80,767 | - |
| Provision | | 2,294 | - |
| Deferred income tax liabilities | | 11,847 | 3,306 |
| Deferred income | | 65,728 | 76,894 |
| | | <u>180,770</u> | <u>95,655</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 1,165,195 | 824,355 |
| Contract liability | | 620,838 | 522,980 |
| Borrowings | 17 | 172,116 | 112,731 |
| Provision | | 87,090 | 79,780 |
| Interest payable on convertible bonds | 16 | 283 | - |
| Derivative financial liabilities | | 327 | - |
| Current income tax liabilities | | 12,637 | 15,655 |
| | | <u>2,058,486</u> | <u>1,555,501</u> |
| Total liabilities | | <u>2,239,256</u> | <u>1,651,156</u> |
| Total equity and liabilities | | <u><u>5,134,008</u></u> | <u><u>3,116,925</u></u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | | (Unaudited) | |
|---|----|----------------------------------|-----------------|
| | | For the six months ended 30 June | |
| | | 2018 | 2017 |
| | | RMB'000 | RMB'000 |
| Cash flow from operating activities | | | |
| Profit/ (loss) before income tax | | 74,792 | (18,379) |
| <i>Adjustments for:</i> | | | |
| Depreciation of property, plant and equipment | | 19,917 | 16,833 |
| Amortisation of prepaid land lease and intangible assets | | 7,685 | 5,129 |
| Gain on disposal of property, plant and equipment | | (116) | - |
| Loss on disposal of other financial assets | | 34 | - |
| Interest income | | (1,678) | (954) |
| Dividend income | | (24) | (18) |
| Interest expense | | 6,756 | 3,440 |
| Loss from change in fair value of other financial assets | | 157 | - |
| Share of profit of an associate | | (880) | - |
| | | <hr/> | <hr/> |
| Net operating results before working capital changes | | 106,643 | 6,051 |
| Inventories and construction work-in-progress | | (156,253) | (214,136) |
| Trade and other receivables | | (152,784) | 200,577 |
| Trade and other payables | | 85,751 | 49,064 |
| Provisions | | (6,620) | (7,593) |
| | | <hr/> | <hr/> |
| Cash flows (used in) /generated from operating activities | | (123,263) | 33,963 |
| Income tax paid | | (20,840) | (20,528) |
| | | <hr/> | <hr/> |
| Net cash (used in)/generated from operating activities | | (144,103) | 13,435 |
| Cash flow from investing activities | | | |
| Addition of property, plant and equipment, intangible assets and other non-current assets | | (26,660) | (38,153) |
| Proceeds from sale of property, plant and equipment | | 310 | 49 |
| Proceeds from sale of other financial asset | | 1,721 | 300 |
| Interest received | | 1,678 | 954 |
| Dividend received | | 24 | 18 |
| Acquisition of a subsidiary, net of cash acquired | 18 | 78,050 | (4,471) |
| | | <hr/> | <hr/> |
| Net cash generated from/(used in) investing activities | | 55,123 | (41,303) |

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

| | (Unaudited) | |
|--|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Cash flow from financing activities | | |
| Proceeds from issue of new shares | 197,218 | - |
| Proceeds from loan from related companies | 100,000 | 55,001 |
| Repayment of loans to related companies | (40,000) | (55,001) |
| Proceeds from bank borrowings | 47,656 | 16,394 |
| Repayment of bank borrowings | (48,252) | (6,773) |
| Interest paid | (6,473) | (3,440) |
| Cash injection from non-controlling interest of a subsidiary | - | 15,158 |
| Increase in pledged bank deposits | (1,604) | - |
| | <hr/> 248,545 | <hr/> 21,339 |
| Net cash generated from financing activities | | |
| Net increase /(decrease) in cash and cash equivalents | 159,565 | (6,529) |
| Cash and cash equivalents at 1 January | 220,340 | 263,118 |
| Effect of foreign exchange rate changes | (503) | 5,236 |
| | <hr/> 379,402 | <hr/> 261,825 |
| Cash and cash equivalents at 30 June | | |
| | <hr/> 379,402 | <hr/> 261,825 |
| Analysis of cash and cash equivalents at 30 June | | |
| Bank and cash balances | <hr/> 379,402 | <hr/> 261,825 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(Unaudited)

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---------------------------------------|---------------|---------------|----------------------------|-----------------|--|----------------|-------------------------------|-------------------|-----------|---------------------------|-----------|
| | Notes | Share capital | Share premium | Assets revaluation reserve | Surplus reserve | Convertible bonds – equity conversion reserves | Other reserves | Currency translation reserves | Retained earnings | Subtotal | Non-controlling interests | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2017 | | 506,742 | - | 22,690 | 9,378 | - | 101,214 | 19,883 | 459,973 | 1,119,880 | 187,198 | 1,307,078 |
| Loss for the period | | - | - | - | - | - | - | - | (10,674) | (10,674) | (6,122) | (16,796) |
| Currency translation differences | | - | - | - | - | - | - | 16,272 | - | 16,272 | - | 16,272 |
| Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and land use rights | | - | - | 594 | - | - | - | - | - | 594 | - | 594 |
| Total comprehensive income for the period | | - | - | 594 | - | - | - | 16,272 | (10,674) | 6,192 | (6,122) | 70 |
| Disposal of a subsidiary with loss of control | | - | - | - | - | - | 4,874 | - | - | 4,874 | 7,126 | 12,000 |
| Capital injection from non-controlling interest of a subsidiary | | - | - | - | - | - | - | - | - | - | 15,000 | 15,000 |
| Dividends declared by a subsidiary | | - | - | - | - | - | - | - | - | - | (1,464) | (1,464) |
| Total transactions with owners, recognized directly in equity | | - | - | - | - | - | 4,874 | - | - | 4,874 | 20,662 | 25,536 |
| At 30 June 2017 | | 506,742 | - | 23,284 | 9,378 | - | 106,088 | 36,155 | 449,299 | 1,130,946 | 201,738 | 1,332,684 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

For the six months ended 30 June 2018

(Unaudited)

| | | Attributable to owners of the Company | | | | | | | | | | |
|--|--|---------------------------------------|----------------|----------------------------|-----------------|--|----------------|-------------------------------|-------------------|------------------|---------------------------|------------------|
| | | Share capital | Share premium | Assets revaluation reserve | Surplus reserve | Convertible bonds – equity conversion reserves | Other reserves | Currency translation reserves | Retained earnings | Subtotal | Non-controlling interests | Total |
| <i>Notes</i> | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2018 | | 506,742 | - | 23,284 | 9,378 | - | 106,088 | 32,781 | 546,091 | 1,224,364 | 241,405 | 1,465,769 |
| Profit for the period | | - | - | - | - | - | - | - | 58,451 | 58,451 | 5,700 | 64,151 |
| Currency translation differences | | - | - | - | - | - | - | 6,117 | - | 6,117 | 36 | 6,153 |
| Share of other comprehensive income of an associate | | - | - | - | - | - | 131 | - | - | 131 | - | 131 |
| Total comprehensive income for the period | | - | - | - | - | - | 131 | 6,117 | 58,451 | 64,699 | 5,736 | 70,435 |
| Issuance of ordinary shares pursuant to reverse acquisition | | <i>14 (iii)</i> 1,242,520 | - | - | - | - | - | - | - | 1,242,520 | - | 1,242,520 |
| Issuance of convertible bonds pursuant to reverse acquisition – liability portion | | - | - | - | - | - | - | - | (102,519) | (102,519) | - | (102,519) |
| Non-controlling interests recognised pursuant to reverse acquisition | | <i>14 (iv)</i> (3,026) | - | (139) | (56) | - | (634) | (324) | (3,262) | (7,441) | 7,441 | - |
| Transaction with non-controlling interests | | <i>14 (v)</i> 8,135 | 300,983 | - | - | 289,893 | - | - | (406,563) | 192,448 | (209,260) | (16,812) |
| Issuance of ordinary shares | | <i>14 (vi)</i> 5,448 | 191,770 | - | - | - | - | - | - | 197,218 | - | 197,218 |
| Issuance of shares upon conversion of convertible bonds | | <i>16</i> 18,209 | 98,249 | - | - | (76,458) | - | - | - | 40,000 | - | 40,000 |
| Dividend declared by a subsidiary | | - | - | - | - | - | - | - | - | - | (1,859) | (1,859) |
| Total transactions with owners, recognized directly in equity | | 1,271,286 | 591,002 | (139) | (56) | 213,435 | (634) | (324) | (512,344) | 1,562,226 | (203,678) | 1,358,548 |
| At 30 June 2018 | | 1,778,028 | 591,002 | 23,145 | 9,322 | 213,435 | 105,585 | 38,574 | 92,198 | 2,851,289 | 43,463 | 2,894,752 |

Notes:

1 Basis of preparation

On 23 April 2018, the Company completed the acquisition of 99.41% equity interests of Pteris Global Limited (“**Pteris**”) (the “**Pteris Acquisition**”) and 30% equity interests in Shenzhen CIMC-TianDa Airport Support Ltd (深圳中集天達空港設備有限公司) (“**SZ TianDa**”) (the “**Tianda Acquisition**”). SZ TianDa is a non-wholly owned subsidiary of Pteris. The Company issued 7,470,108,040 shares of the Company at an issue price of HKD0.366 each and convertible bonds in the principal amount of RMB2,093,133,694 as consideration to the vendors of Pteris Acquisition and TianDa Acquisition pursuant to the respective agreements. As China International Marine Containers (Group) Limited (“**CIMC**”), the ultimate holding company of Pteris, has control over the Company upon completion of the Pteris Acquisition, the acquisition of Pteris has been accounted for as a reverse acquisition in accordance with HKFRS 3 “*Business Combinations*”. Pteris, being the legal subsidiary, was deemed to be the accounting acquirer while the Company, being the legal acquirer, was deemed to be the accounting acquiree for accounting purpose. In this interim result announcement, CFE refers to the Company immediately before the completion of the Pteris Acquisition and CFE Group refers to the Company and its subsidiaries immediately before the completion of the Pteris Acquisition.

Details of the Pteris Acquisition and Tianda Acquisition have been disclosed in the announcement and circular of CFE dated 4 December 2017 and 15 March 2018 respectively.

The condensed consolidated financial statements of the Company represented a continuation of the consolidated financial statements of Pteris, the accounting acquirer, and its subsidiaries (the “Pteris Group”) and reflected the following:

- (a) The assets and liabilities of the Pteris Group were recognized and measured in the consolidated statement of financial position at the carrying amounts before the completion of the Pteris Acquisition;
- (b) The identifiable assets and liabilities of CFE were recognized and measured in the consolidated statement of financial position at the fair values at the completion date of the Pteris Acquisition;
- (c) The excess of the fair value of the consideration transferred by Pteris, the accounting acquirer, over the fair value of the identifiable assets and liabilities of CFE at the completion date of the Pteris Acquisition was recognized as goodwill in the consolidated statement of financial position;
- (d) The retained earnings and other equity balances recognized in the consolidated statement of financial position were the retained earnings and other equity balances of the Pteris Group immediately before the completion of the Pteris Acquisition;
- (e) The issued share capital in the consolidated statement of financial position was the sum of the issued share capital of Pteris immediately before the completion of the Pteris Acquisition and the fair value of the consideration transferred by Pteris as the accounting acquirer. The equity structure, however, reflected the equity structure of CFE, that is, the number and type of instrument issued by CFE including the shares issued to effect the Pteris Acquisition and

Tianda Acquisition.

- (f) The consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2018 reflected the results of the Pteris Group for the whole period and the results of the CFE Group after the completion of the Pteris Acquisition; and
- (g) The comparative figures presented in the consolidated financial statements were that of the Pteris Group.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard 34, *Interim Financial Reporting*. The accounting policies adopted in preparing the condensed consolidated financial statements for the six months ended 30 June 2018, other than the applicable new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants that are effective from 1 January 2018, are consistent with those in the preparation of the consolidated financial statements of the Pteris Group for the years ended 31 December 2014, 2015, 2016 and for the nine months ended 30 September 2017, as disclosed in Appendix III(A) of the circular of the Company dated 15 March 2018 for, among other things, the Pteris Acquisition and Tianda Acquisition.

New and revised HKFRS

A number of new or amended standards became applicable for the current reporting period and the Group had changed its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 9 “*Financial Instruments*”; and

HKFRS 15 “*Revenue from Contracts with Customers*”.

The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. The 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.

| | 31 December 2017 | | | 1 January 2018 |
|--|----------------------------|----------|------------------|-------------------|
| | As originally Presented | HKFRS 9 | HKFRS 15 | Restated |
| Balance sheet (extract) | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Current assets | | | | |
| Contract asset | - | - | 163,511 | 163,511 |
| Amounts due from contract customers | 163,511 | - | (163,511) | - |
| Current liabilities | | | | |
| Contract Liability | - | - | 522,980 | 522,980 |
| Amounts due to contract customers | 36,223 | - | (36,223) | - |
| Advances received | <u>486,757</u> | <u>-</u> | <u>(486,757)</u> | <u>-</u> |

There is no impact on the Group's retained earnings as at 1 January 2018 by adopting HKFRS 9 and HKFRS 15.

The other HKFRS do not have material impact on the Group's accounting policies and do not require retrospective adjustments.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

- (1) Equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under HKFRS 9.
- (2) Loan receivables previously measured at amortised cost continue to be measured on the same basis under IFRS 9.
- (3) There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been adopted from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses 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 fair value through other comprehensive income, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was not material.

- (1) Trade and bills receivables and other receivables – collective assessment

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses lifetime expected loss allowance for all trade receivables and other receivables which are assessed collectively for impairment.

To measure the expected credit losses, trade receivables and other receivables which are assessed collectively for impairment have been grouped based on shared credit risk characteristics and the days past due. The impact of applying the expected credit risk model on the loss allowance of trade receivables and other receivables as at 30 June 2018 and 1 January 2018 was immaterial.

(2) Other financial assets

Other financial assets including short-term deposits, restricted cash, cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

HKFRS 15 “Revenue from Contracts with Customers” –Impact of adoption

The Group adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. The impact of applying HKFRS 15 in statement of profit or loss as at 1 January 2018 was immaterial.

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

The Group has voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15 and HKFRS 9:

- Contract assets recognised in relation to construction contracts were previously presented as amounts due from contract customers (RMB163,511,000 as at 1 January 2018, net of impairment allowance).
- Contract liabilities in relation to progress billing recognised in relation to construction contracts were previously included in amounts due to contract customers (RMB36,223,000 as at 1 January 2018).
- Receipt in advance from customers in relation to contracts for sale of goods were previously presented as advances received (RMB486,757,000 as at 1 January 2018)

HKFRS 15 “Revenue from Contracts with Customers” – Accounting policies

Sale of goods

Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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 Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized 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.

Some contracts include multiple deliverables, such as the sale of passengers boarding bridges. The Group installs the bridges for the customers but it could be performed by another party and is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. If contracts include the installation of passengers boarding bridge, revenue for the sale of goods is recognized at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Construction contracts

Revenue of construction contract is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual costs spent relative to the total expected costs.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

Provision of services

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

Change in presentation currency

The condensed consolidated financial statements for the six months ended 30 June 2018 are presented in Renminbi (“RMB”), which is different from the presentation currency of Singaporean dollars (“SGD”) used in Pteris’ consolidated financial statements for the six months ended 30 June 2017 and for the year ended 31 December 2017. Since most of the Group’s transactions are denominated and settled in RMB, especially after the completion of the Pteris Acquisition, the Board considered that the change in presentation currency could reduce the impact of any fluctuations in the exchange rate of SGD against RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group and give a more accurate picture of the Group’s financial performance.

The change in presentation currency of the consolidated financial statements from SGD to RMB was determined to be effective from 1 January 2017 and has been applied retrospectively in accordance with the Hong Kong Accounting Standard 8 “*Accounting Policies, Accounting Estimates and Errors*”, the comparative figures in the consolidated financial statements have been restated accordingly for comparison.

2 Revenue

Revenue represented the aggregate of the sales proceeds of goods sold, construction contracts and services rendered, less discounts and sales related taxes, and were analysed as follows:

| | (Unaudited) | |
|------------------------|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Sale of goods | 727,040 | 214,395 |
| Construction contracts | 235,834 | 113,555 |
| Service rendered | 28,230 | 36,839 |
| | 991,104 | 364,789 |

3 Other income

| | (Unaudited) | |
|---|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Interest income | 1,678 | 954 |
| Government grants | 7,099 | 10,650 |
| Gain on disposal of property, plant and equipment | 116 | - |
| Rental income | 21,855 | 13,695 |
| Sale of scrap materials | 1,160 | 537 |
| Dividend income | 24 | 18 |
| Others | 498 | 1,628 |
| | 32,430 | 27,482 |

4 Finance costs

| | (Unaudited) | |
|---|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Interest expenses on loans from related parties | 1,465 | 1,217 |
| Interest expenses on bank borrowings | 3,418 | 2,223 |
| Interest expenses on convertible bonds | 1,719 | - |
| Others | 154 | - |
| | 6,756 | 3,440 |

5 Income tax expense

Income tax expense has been recognised in profit or loss as follows:

| | (Unaudited) | |
|---------------------------------------|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Current income tax | | |
| Current tax on profits for the period | 20,620 | 605 |
| Under-provision in prior years | 469 | 150 |
| | 21,089 | 755 |
| Deferred income tax | (10,448) | (2,338) |
| Income tax expense / (credit) | 10,641 | (1,583) |

No provision for Hong Kong Profits Tax has been made as the relevant group entities have no assessable profits for the six months ended 30 June 2017 and 2018. Income tax on profits arising in the PRC and other countries have been provided based on the prevailing tax rates applicable to the respective group entities.

6 Profit for the period

Profit for the period has been arrived at after charging the following:

| | (Unaudited) | |
|---|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Amortisation of prepaid land lease payments | 1,003 | 781 |
| Amortisation of intangible assets | 6,682 | 4,348 |
| Depreciation of property, plant and equipment | 19,917 | 16,833 |

7 Earnings per share

The calculations of the basic and diluted earnings per share are based on the following:

| | (Unaudited) | |
|--|---|----------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Earnings | | |
| Profit/ (loss) for the purpose of calculating basic earnings per share | 58,451 | (10,674) |
| Finance costs saving on conversion of convertible bonds outstanding | 4,297 | - |
| Profit/ (loss) for the purpose of calculating diluted earnings per share | 62,748 | (10,674) |

| | (Unaudited) | |
|--|----------------------------------|-------------------------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 9,317,204 | 6,455,429 |
| Effect of dilutive potential ordinary shares arising from convertible bonds outstanding | <u>5,437,214</u> | <u>-</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u><u>14,754,418</u></u> | <u><u>6,455,429</u></u> |

There was no dilutive effect of the share options granted to the earnings per share as the average market prices of the shares of the Company for the six months ended 30 June 2017 and 2018 were lower than the exercise price of the share options granted. The convertible bonds were anti-dilutive to the loss for the six months ended 30 June 2017.

8 Dividends

The Board does not recommend the payment of a dividend for the six months ended 30 June 2018 (2017: nil).

9 Prepaid lease payments

The Group's interest in prepaid land lease payments represent prepaid operation lease payments for land use rights certificates in the PRC under medium-term leases. The carrying amount is analysed as follows:

| | RMB'000 |
|--|-----------------------|
| At 31 December 2017 (audited) | |
| Costs | 78,773 |
| Accumulated amortization | <u>(8,046)</u> |
| Carrying value | <u><u>70,727</u></u> |
| For the period ended 30 June 2018 (unaudited) | |
| Carrying value at 1 January 2018 | 70,727 |
| Acquisition of a subsidiary (Note 18) | 44,920 |
| Amortisation | <u>(1,003)</u> |
| Carrying value at 30 June 2018 | <u><u>114,644</u></u> |
| At 30 June 2018 (unaudited) | |
| Costs | 123,693 |
| Accumulated amortization | <u>(9,049)</u> |
| Carrying value | <u><u>114,644</u></u> |

10 Property, plant and equipment

| | Land and buildings RMB'000 | Machinery and equipment RMB'000 | Motor vehicles RMB'000 | Office and other equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|--|-------------------------------|---------------------------------------|---------------------------|--|--|------------------|
| At December 31 2017 (audited) | | | | | | |
| Cost | 475,952 | 77,303 | 5,572 | 61,677 | 10,770 | 631,274 |
| Accumulated depreciation | (50,598) | (9,650) | (2,438) | (17,398) | - | (80,084) |
| Carrying value | 425,354 | 67,653 | 3,134 | 44,279 | 10,770 | 551,190 |
| For the period ended 30 June 2018 (unaudited) | | | | | | |
| Carrying value at 1 January 2018 | 425,354 | 67,653 | 3,134 | 44,279 | 10,770 | 551,190 |
| Reclassification | - | 6,557 | 30 | (6,600) | 13 | - |
| Additions | 2,395 | 4,814 | 116 | 1,944 | 13,096 | 22,365 |
| Acquisition of a subsidiary (Note 18) | 171,560 | 11,836 | 2,156 | 1,337 | 61 | 186,950 |
| Disposals and write-offs | - | (64) | (127) | (3) | - | (194) |
| Depreciation charge | (10,146) | (4,350) | (612) | (4,809) | - | (19,917) |
| Currency translation difference | (670) | 209 | 304 | (150) | 229 | (78) |
| Carrying value at 30 June 2018 | 588,493 | 86,655 | 5,001 | 35,998 | 24,169 | 740,316 |
| At 30 June 2018 (unaudited) | | | | | | |
| Cost | 649,172 | 102,906 | 8,026 | 55,435 | 24,169 | 839,708 |
| Accumulated depreciation | (60,679) | (16,251) | (3,025) | (19,437) | - | (99,392) |
| Carrying value | 588,493 | 86,655 | 5,001 | 35,998 | 24,169 | 740,316 |

11 Intangible assets

| | Goodwill RMB'000 | Software RMB'000 | Operating rights for automated parking system RMB'000 | Patents RMB'000 | Development costs RMB'000 | Trademark RMB'000 | Customer relationships RMB'000 | Order backlog RMB'000 | Total RMB'000 |
|--|---------------------|---------------------|--|--------------------|---------------------------------|----------------------|--------------------------------------|--------------------------|------------------|
| At December 31 2017 | | | | | | | | | |
| (audited) | | | | | | | | | |
| Cost | 121,379 | 5,537 | 57,816 | 55,960 | 8,160 | - | - | - | 248,852 |
| Accumulated amortisation and impairment | - | (2,789) | (11,021) | (5,727) | - | - | - | - | (19,537) |
| Carrying value | 121,379 | 2,748 | 46,795 | 50,233 | 8,160 | - | - | - | 229,315 |
| For the period ended 30 | | | | | | | | | |
| June 2018 (unaudited) | | | | | | | | | |
| Carrying value at 1 January 2018 | 121,379 | 2,748 | 46,795 | 50,233 | 8,160 | - | - | - | 229,315 |
| Acquisition of a subsidiary (note 18) | 78,557 | - | - | - | - | 18,793 | 12,258 | 7,428 | 117,036 |
| Additions | - | 204 | - | - | 2,129 | - | - | - | 2,333 |
| Amortisation charge | - | (276) | (1,688) | (2,953) | - | - | (1,021) | (744) | (6,682) |
| Currency translation difference | (966) | (1) | (1) | (5) | 3 | - | - | - | (970) |
| Carrying value at 30 June 2018 | 198,970 | 2,675 | 45,106 | 47,275 | 10,292 | 18,793 | 11,237 | 6,684 | 341,032 |
| At 30 June 2018 (unaudited) | | | | | | | | | |
| Cost | 198,970 | 5,743 | 57,807 | 55,960 | 10,292 | 18,793 | 12,258 | 7,428 | 367,251 |
| Accumulated amortisation and impairment | - | (3,068) | (12,701) | (8,685) | - | - | (1,021) | (744) | (26,219) |
| Carrying value | 198,970 | 2,675 | 45,106 | 47,275 | 10,292 | 18,793 | 11,237 | 6,684 | 341,032 |

12 Investment in an associate

The investment in an associate represent the 40% equity interests in Albert Ziegler GmbH, a company incorporated in Germany and is principally engaged in the production and sale of fire engines and fire prevention and fighting equipment. The carrying value is analysed as follows:

| | (Unaudited) RMB'000 |
|---|------------------------|
| At 1 January 2018 | - |
| Acquisition of a subsidiary (note 18) | 565,090 |
| Share of profit of an associate | 880 |
| Share of other comprehensive income of an associate | 131 |
| Currency translation difference | 6,635 |
| | <hr/> |
| At 30 June 2018 | <u>572,736</u> |

13 Trade and bills receivables

| | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
|---|--|--|
| Trade receivables due from third parties | 1,350,065 | 945,847 |
| Trade receivables due from related parties | 25 | 12,974 |
| Bills receivables | 8,184 | 15,699 |
| Retention on construction contracts | 24,945 | 28,263 |
| | <hr/> | <hr/> |
| Total trade and bills receivables | 1,383,219 | 1,002,783 |
| Less: provision for impairment of trade receivables | (54,226) | (57,752) |
| | <hr/> | <hr/> |
| | <u>1,328,993</u> | <u>945,031</u> |

The Group allows an average credit period of 30 days to 180 days to its trade customers.

The aging analysis of trade and bills receivables, based on the invoice date, before provision for impairment is as follows:

| | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
|----------------|--|--|
| 0 - 90 days | 830,406 | 513,346 |
| 91 - 180 days | 187,677 | 230,780 |
| 181 - 360 days | 215,999 | 149,848 |
| Over 360 days | 149,137 | 108,809 |
| | <hr/> | <hr/> |
| | <u>1,383,219</u> | <u>1,002,783</u> |

Movement of the provision of impairment for trade receivables is as follows:

| | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
|-----------------------------------|--|--|
| At beginning of the period / year | 57,752 | 55,049 |
| Provision for impairment | - | 5,410 |
| Allowance utilised | (3,452) | (2,910) |
| Currency translation difference | (74) | 203 |
| | <u>54,226</u> | <u>57,752</u> |

14 Share capital

| | Number of shares | Amount (HKD'000) |
|---|-------------------------|-----------------------------------|
| Authorised: | | |
| Shares of HKD0.01 each at 1 January 2018 | 10,000,000,000 | 100,000 |
| Increase in authorised capital (Note i) | <u>40,000,000,000</u> | <u>400,000</u> |
| Shares of HKD0.01 each at 30 June 2018 | <u>50,000,000,000</u> | <u>500,000</u> |
| | | RMB'000 |
| Issued and fully paid: | | |
| At 31 December 2017 and 1 January 2018 (Note ii) | 6,455,428,570 | 506,742 |
| Issuance of ordinary shares pursuant to reverse acquisition (Note iii) | 4,078,571,430 | 1,242,520 |
| Recognition of non-controlling interests pursuant reverse acquisition (Note iv) | - | (3,026) |
| Issuance of consideration shares to acquire a non-controlling interest (Note v) | 1,014,679,470 | 8,135 |
| Issuance of shares pursuant to a subscription agreement (Note vi) | 673,225,000 | 5,448 |
| Issuance of shares pursuant to conversion of convertible bonds by bondholders (Note 16) | <u>2,250,000,000</u> | <u>18,209</u> |
| At 30 June 2018 | <u>14,471,904,470</u> | <u>1,778,028</u> |

Note i: Pursuant to the ordinary resolution passed by the Independent Shareholders of CFE (as defined in the circular of CFE dated 15 March 2018) at the extraordinary general meeting of CFE on 11 April 2018, the authorised share capital of the Company increased from 10,000,000,000 shares of HKD0.01 each to 50,000,000,000 shares of HKD0.01 each.

Note ii: In accordance with the reverse acquisition accounting as per HKFRS 3 “*Business Combination*”, the amount of share capital was the issued share capital of Pteris, the accounting acquirer, as at 31 December 2017 and 1 January 2018. The equity structure of the accounting acquirer is restated using the exchange ratio established in the agreement of the Pteris Acquisition to reflect the number of shares of CFE (the accounting acquiree) issued in the reverse acquisition, being 6,455,428,570 shares.

- Note iii: The fair value of the consideration transferred by Pteris, as the accounting acquirer, in relation to the Pteris Acquisition at the date of completion (Note 18), which was determined using the fair value of the issued equity of CFE immediately before the completion of the Pteris Acquisition, being 4,078,571,430 shares of CFE in issue at HKD0.38 each (the closing trading price of shares of CFE at date of completion of the Pteris Acquisition, i.e. 23 August 2018).
- Note iv: The 0.59% non-controlling interests of Pteris that was not acquired by CFE pursuant to the Pteris Acquisition.
- Note v: Shares of the Company issued to satisfy part of the consideration for acquisition of the 30% equity interests in SZ TianDa at completion date of the Tianda Acquisition, i.e. 23 April 2018.
- Note vi: Shares of the Company issued to 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)), a limited partnership established in the PRC, at HKD0.366 per share pursuant to the Subscription Agreement dated 6 February 2018. Details of the subscription has been shown in the announcement and circular of the Company dated 6 February 2018 and 15 March 2018 respectively.

15 Trade and other payables

| | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
|--|--|--|
| Current portion | 1,165,195 | 824,355 |
| Non-current portion | 20,134 | 15,455 |
| | <u>1,185,329</u> | <u>839,810</u> |
| | | |
| | (Unaudited) At 30 June 2018 RMB'000 | (Audited) At 31 December 2017 RMB'000 |
| Trade payables to third parties | 647,987 | 435,030 |
| Trade payables to related parties | - | 2,876 |
| | <u>647,987</u> | <u>437,906</u> |
| Total trade payables | 647,987 | 437,906 |
| Amounts due to related parties | 212 | 933 |
| Dividends payable (Note) | 74,415 | 72,402 |
| Staff salaries, bonuses and welfare payables | 33,802 | 40,344 |
| Accruals and other payables | 428,913 | 288,225 |
| | <u>1,185,329</u> | <u>839,810</u> |

Note: Dividends payable represent unpaid dividends to China International Marine Containers (Hong Kong) Ltd, the then shareholder of a subsidiary of the Company, which were declared

in the financial years of 2011 and 2013 and the unpaid dividends to Beijing Bowei Airport support Co., Ltd., a non-controlling shareholder of Xinfra Airport Equipment Ltd., a subsidiary of the Company which were declared in the financial year 2017 and during the six months ended 30 June 2018.

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

| | (Unaudited) | (Audited) |
|----------------|--------------------|----------------|
| | At 30 June | At 31 December |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| 0 - 60 days | 395,133 | 116,335 |
| 61 - 120 days | 98,331 | 152,441 |
| 121 - 240 days | 73,488 | 119,670 |
| Over 240 days | 81,035 | 49,460 |
| | 647,987 | 437,906 |

16 Convertible bonds

The Company issued convertible bonds with aggregate principal amount of RMB2,093,133,694 on 23 April 2018, to satisfy part of the consideration for the Pteris Acquisition and Tianda Acquisition. The convertible bonds are to be matured on the 22 April 2048, being the 30th anniversary of the issue date. They bear interest from and including the issue date at 0.1% per annum, payable annually in arrear on each anniversary from the issue date. Subject to the terms and condition of the convertible bonds, each bondholders has the right to convert the bonds into shares of the Company credited as fully paid at any time from the issue date to maturity date, at an initial conversion price of HKD0.366 per share or RMB0.3111 per share at the agreed fixed exchange rate of HKD1: RMB0.85. (the “**Initial Conversion Price**”).

The estimated fair value of the convertible bonds issued, as calculated using the Binomial pricing model, was approximately RMB2,177,015,000 at the date of issue and have been split between the liability element and an equity component. During the period ended 30 June 2018, convertible bonds with an aggregate principal value of RMB699,975,000 has been converted into shares of the Company at the Initial Conversion Price. The value of the liability component of the convertible bonds at 30 June 2018 is as follows:

| | |
|--|----------------------|
| | RMB'000 |
| Fair value of the convertible bonds at date of issue | 2,177,015 |
| Equity component | <u>(2,057,684)</u> |
| Liability component at date of issue | 119,331 |
| Conversion into shares of the Company | (40,000) |
| Interest charged (note 4) | 1,719 |
| Interest payable | <u>(283)</u> |
| Liability component at 30 June 2018 | <u><u>80,767</u></u> |

The inputs into the model of valuation of the convertible bonds at 23 April 2018, the date of issue, are as follows:

| | |
|-------------------------|-----------|
| Share price | RMB0.3230 |
| Conversion price | RMB0.3111 |
| Expected volatility | 51% |
| Expected life | 30 years |
| Risk free rate | 4.07% |
| Expected dividend yield | Nil |

17 Borrowings

| | (Unaudited) At 30 June 2018 | (Audited) At 31 December 2017 |
|---|--|-------------------------------------|
| | RMB'000 | RMB'000 |
| Bank borrowing, unsecured, repayable within 1 year | 112,116 | 112,731 |
| Loan from a related party, unsecured, repayable within 1 year | 60,000 | - |
| | <u>172,116</u> | <u>112,731</u> |

The weighted average interest rates per annum:

| | | |
|---------------------------|-------|-------|
| Loan from a related party | 5.25% | - |
| Bank borrowings | 3.80% | 4.00% |

18 Acquisition of subsidiaries

As stated in the “Basis of preparation” in note 1 to this announcement, CFE completed the Pteris Acquisition on 23 April 2018, which has been accounted for as a reverse acquisition in accordance with HKFRS 3 “*Business Combinations*”. Accordingly, CFE, being the legal acquirer, was deemed to be the accounting acquiree for accounting purpose. The fair values of the assets and liabilities of CFE Group as at the date of acquisition are set out as follows:

| | At date of acquisition RMB'000 |
|--|---|
| Prepaid land lease payments | 44,920 |
| Property, plant and equipment | 186,950 |
| Intangible assets | 38,479 |
| Investments in an associate | 565,090 |
| Inventories | 255,569 |
| Trade and bills receivables | 256,088 |
| Prepayment, deposits and other receivables | 108,433 |
| Pledged bank deposits | 8,167 |
| Bank and cash balances | 78,050 |
| | <hr/> |
| | 1,541,746 |
| | <hr/> |
| Trade and other payables | (348,478) |
| Provision | (16,224) |
| Current tax liabilities | (1,399) |
| Deferred tax liabilities | (11,682) |
| | <hr/> |
| | (377,783) |
| | <hr/> |
| Fair value of net identifiable assets of CFE Group | 1,163,963 |
| | <hr/> |
| Fair value of consideration transferred by Pteris | 1,242,520 |
| | <hr/> |
| Goodwill | 78,557 |
| | <hr/> <hr/> |
| Net cash inflow arising from acquisition: | |
| Cash and cash equivalents acquired | 78,050 |
| | <hr/> <hr/> |

19 Related party transaction

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the period ended 30 June 2018.

| | (Unaudited) | |
|--|---|---------|
| | For the six months ended 30 June | |
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Sales of goods and/or services to | | |
| - fellow subsidiaries | 1,752 | - |
| Purchase of goods from | | |
| - fellow subsidiaries | 31 | 5,571 |
| Interest expenses paid / payable to | | |
| - ultimate holding company | 1,769 | 1,966 |
| - a fellow subsidiary | 423 | 106 |
| Lease expenses paid to | | |
| - Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company | 907 | 902 |
| Interest income received from | | |
| - a fellow subsidiary | 134 | 335 |
| Borrowings from | | |
| - a fellow subsidiary | 100,000 | - |
| Repayment of borrowings to | | |
| - a fellow subsidiary | 40,000 | - |

SEGMENT INFORMATION

The Group has the following three reportable segments:

- Passengers boarding bridge, ground support equipment and automated parking system: the manufacture and sales of passenger boarding bridges, airport group support equipment and automated vehicle parking systems;
- Logistic system business: the provision of engineering and computer software solutions for airport logistics, e-commerce, express delivery and warehousing; and
- Fire engines and fire prevention and fighting equipment: the production and sale of fire engines; and fire prevention and fighting equipment.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different production techniques and marketing strategies. The Group's Chief Executive Officer ("CEO") manages and monitors the businesses of each business units and reviews the internal management reports on a quarterly basis at least. Reportable segments are identified based on the reports reviewed by the CEO that are used for making strategic decisions, allocating resources and assessing performance.

The accounting policies of the reportable segments are the same as those adopted in preparing the consolidated financial statements. Segment profits or losses do not include unallocated interest income, unallocated corporate expenses, interest expenses on convertible bonds and share of profit of an associate.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

SEGMENT INFORMATION (cont'd)

Information about operating segment profit or loss:

For the six months ended 30 June 2018 (unaudited)

| | Passenger boarding bridge, ground support equipment and automated parking system RMB'000 | Logistic system business RMB'000 | Fire engines and fire prevention and fighting equipment RMB'000 | Unallocated RMB'000 | Elimination RMB'000 | Total RMB'000 |
|--|--|--|--|------------------------|------------------------|------------------|
| REVENUE | | | | | | |
| External sales | 561,010 | 287,297 | 142,797 | - | - | 991,104 |
| Inter-segment sales | 97,647 | 8,115 | - | - | (105,762) | - |
| Total | 658,657 | 295,412 | 142,797 | - | (105,762) | 991,104 |
| RESULTS | | | | | | |
| Segment profit/ (loss) | 56,762 | (4,523) | 9,305 | | | 61,544 |
| Unallocated interest income | | | | 1 | | 1 |
| Unallocated corporate expenses | | | | 3,445 | | 3,445 |
| Interest expenses on convertible bonds | | | | (1,719) | | (1,719) |
| Share of profit of an associate | | | | 880 | | 880 |
| Profit for the period | | | | | | 64,151 |
| Other information: | | | | | | |
| Interest income | 1,072 | 438 | 167 | 1 | | 1,678 |
| Interest expenses | 4,328 | 709 | - | 1,719 | | 6,756 |
| Depreciation | 13,103 | 4,791 | 2,023 | - | | 19,917 |
| Amortisation | 5,568 | 168 | 1,949 | - | | 7,685 |

SEGMENT INFORMATION (cont'd)**Information about operating segment profit or loss:**

For the six months ended 30 June 2017 (unaudited)

| | Passenger boarding bridge, ground support equipment and automated parking system RMB'000 | Logistic system business RMB'000 | Total RMB'000 |
|---|---|--|------------------|
| REVENUE | | | |
| External sales | 219,771 | 145,018 | 364,789 |
| RESULTS | | | |
| Segment (loss)/profit and loss for the year | (10,293) | (6,503) | (16,796) |
| Other information: | | | |
| Interest income | 338 | 616 | 954 |
| Interest expenses | 2,940 | 500 | 3,440 |
| Depreciation | 12,177 | 4,656 | 16,833 |
| Amortisation | 4,883 | 246 | 5,129 |

SHARE OPTIONS

As at 30 June 2018, the Company had the following share options outstanding which were granted to certain directors of the Company and full time employees of the Group in accordance with the terms of the share option scheme of the Company adopted on 29 May 2009.

| Number of shares of HKD0.01 each of the Company issuable under the options | | | | | | |
|---|--|--|--|--|-------------------------------------|--|
| Grantees | Outstanding at 1 January 2018 | Granted during the Period | Exercised during the period | Outstanding at 30 June 2018 | Exercise price (HKD) | Percentage of issued share capital of the Company |
| <i>Directors of the Company</i> | | | | | | |
| Mr. Jiang Xiong | 4,000,000 | - | - | 4,000,000 | 0.42 | 0.028% |
| Dr. Loke Yu | 4,000,000 | - | - | 4,000,000 | 0.42 | 0.028% |
| Mr. Heng Ja Wei | 4,000,000 | - | - | 4,000,000 | 0.42 | 0.028% |
| Mr. Ho Man | 2,000,000 | - | - | 2,000,000 | 0.42 | 0.014% |
| | 14,000,000 | - | - | 14,000,000 | | 0.098% |
| Other employees | 101,625,000 | - | - | 101,625,000 | 0.42 | 0.702% |
| | <u>115,625,000</u> | <u>-</u> | <u>-</u> | <u>115,625,000</u> | | <u>0.8%</u> |

The shares options outstanding at 1 January 2018 and 30 June 2018 were granted to the grantees on 26 August 2015. They will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive). The share options granted were all vested on 11 July 2017.

Save as disclosed, no share options were granted, exercised, cancelled or lapsed during the period ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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 four major types of products below and 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.

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, 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 172% to RMB991 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 have still jumped 133% to RMB848 million. Because of the revenue increase, the Group reported a net profit of RMB64 million for the six months ended 30 June 2018, turnaround from the net loss of RMB17 million for the same period in 2017.

Passenger boarding bridge (PBB), ground support equipment (GSE) and automated parking systems (APS)

Revenue: RMB561 million (2017: RMB220 million); net profit for the period: RMB57 million (2017: loss of RMB10 million)

Revenue for the period increased was mainly derived from the PBB business. The growth was partly because there was a change in the accounting policies for revenue recognition when the new *HKFRS 15* became applicable on 1 January 2018. Instead of recognizing revenue once at the completion of installation, revenue of a PBB 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 completed with customers' acceptance. Revenue for the goods sold recognized for the period which would have been deferred until installation completed had the accounting policies not been changed was approximately RMB165 million.

Even if the effect of accounting policies change were discarded, revenue of the segment for the period would still jumped by RMB396 million or 180% as compared to the corresponding period in 2017. This is because the Group has strengthened communication with customers to enhance and speed up the inspection and acceptance procedures such that more PBB contracts were completed (delivery of goods

plus installation) during the period. Size of the PBB contracts recognized for 2018 were also comparatively larger as the average contract revenue was 68% higher than that for 2017.

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 mechanical smart bus parking garage (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, is expected to secure the first sales order in the second half of 2018.

Baggage, material and warehouse handling systems (MHS)

Revenue: RMB287 million (2017: RMB145 million); net loss for the period: RMB4.5 million (2017: RMB6.5 million)

Revenue for the period increased 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 39% of the increment recorded. 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 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 MHS projects were downward adjusted to seize larger market shares both in China and overseas. Besides, more expenditure was spent on product development in order to enhance the Group's competitiveness. Leverage on its research and development capability, the Group has developed a new generation of sorter that was designed to convey and sort difficult-to-handle items and is leading the market in terms of speed. The new sorter is expected to be launched by end of 2018.

Fire engines and fire prevention and fighting equipment

Revenue: RMB143 million; net profit for the period: RMB9.3 million

Because of the reverse acquisition accounting, the fire engines and fire equipment business of CFE was deemed to be acquired and thus, revenue and profit reported were the amount 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 equipment for the whole period from 1 January to 30 June 2018 would have grown by 2.2% as compared to the corresponding period in 2017. Profit would have also increased by 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 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. As detailed in the section “Investments, capital commitments, contingent liabilities and pledge of assets” below, the Group has entered into an agreement to acquire 60% equity interests in Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司), a leading manufacturer of aerial lifting fire trucks in the PRC. 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 product under development like the 60-metre jet spray fire trucks and 6*6 airport foam fire trucks.

Financial resources and liquidity

The Group’s net cash balances at 30 June 2018 were approximately RMB218 million (2017:RMB108 million) and were broken down as follows:

| | At 30 June 2018 | At 31 December 2017 |
|-----------------------------------|----------------------------|------------------------|
| | RMB’000 | 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) | - |
| Total trade and bills receivables | (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 in short period of time. During the period under review, major cash inflow items include (i) the proceeds of approximately RMB197 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; and (ii) loans amounted to RMB60 million borrowed from CIMC Finance Company Limited (“**CIMC Finance**”), a subsidiary of CIMC and a banking financial institution registered in the PRC for providing financial services to CIMC group companies, for working capital purpose. The Group had a net cash outflow from operating

activities during the six months ended 30 June 2018 because of the increase in number contracts and average size of projects which lead 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, time close to the period end date, which takes time to have the receivables settled.

The Group's borrowings outstanding as at 30 June 2018 were all repayable by 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 million (31 December 2017: RMB1,994 million) and RMB2,058 million (31 December 2017: RMB1,556 million) respectively. The current ratio was approximately 1.5 times (31 December 2017: 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 11.1% at 30 June 2018 (31 December 2017: 7.7%). 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 Pteris Acquisition and Tianda Acquisition.

Some of the Group's revenue and costs and expenses are settled in currencies other than the functional currencies of the Group's subsidiaries. To mitigate exposure to exchange rates volatility, the Group enters into forward foreign currency contracts. As at 30 June 2018, the Group has outstanding forward exchange contracts: sell Euro/buy RMB and sell USD/ buy Singaporean dollar.

Save as disclosed, the Group had no material contingent liabilities or pledge of assets for the period ended 30 June 2018.

Investments, capital commitments, contingent liabilities and pledge of assets

Investment

Apart from the Pteris Acquisition and Tianda Acquisition, the Group has no other business acquisitions or investments during the six months ended 30 June 2018. Subsequent to 30 June 2018, the Group entered into the following agreements in respect of potential new investments:

1. 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.
2. 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) (“**Huijie**”) from a subsidiary of CIMC, at a cash consideration of RMB10,000,000. Huijie is a newly established

company and 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 Huijie for the Group's production activities through foster a closer relationship with Huijie.

3. On 31 July 2018, the Group entered into an equity transfer agreement, pursuant to which, the Group will acquire 60% equity interests in Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司), a company principally engaged in the manufacturing of fire engines and is a leading manufacturer of aerial lifting fire trucks in the PRC, at cash consideration of RMB600,000,000. The consideration is payable in three instalments and subject to deductions in accordance with the terms of the agreement, including the profit guarantee given by the vendors in particular. The investment is expected to provide an excellent opportunity for the Group to strengthen its portfolio of fire engines and enlarge its geographical market coverage and production capacity. In addition, it would allow the Group to have access to Jietong's research and know-how, which the Group could leverage on to further accelerate the pace of its business development.

The completion of the investments are subject to conditions precedent in their respective agreements which include, in particular, the approval of shareholders or independent shareholders of the Company, as the case required, in the extraordinary general meeting to be convened.

Capital commitment

As at 30 June 2018, the Group had capital commitment in respect of:

- (i) Construction of factory premises amounted to approximately RMB76 million (31 December 2017: 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 amounted to approximately RMB6 million (31 December 2017: RMB7 million).

Save as disclosed herein, the Group has no material capital commitment, contingent liabilities and pledged of assets as at 30 June 2018 and has no material investments, acquisitions or disposals during the six months ended 30 June 2018.

Employees and remuneration policies

For the six months ended 30 June 2018, the Group had 2,393 staff (2017: 2,158) and incurred staff costs (excluding directors' remuneration) of approximately RMB157 million (2017: RMB138 million). Number of staff increased mainly due to the business combination of CFE and Pteris and additional staff hired due to increased orders delivery, especially for PBB and MHS. 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. Staff are remunerated by a monthly salaries payment plus performance incentives payable quarterly or yearly. All full-time employees are entitled to medical,

provident funds and housing funds contributions. The Group adopted share option schemes which offer eligible employees an incentive for better performance and loyalty with the Group.

The Group arranges 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 30 June 2018, 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 Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("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 Director | Capacity and types of interest | Number of issued shares of HKD0.01 each of the Company held | Percentage of issued share capital of the Company |
|-------------------------|---------------------------------------|--|--|
| Mr. Jiang Xiong | Beneficial owner | 981,600,000 | 6.78% |

Options to subscribe for ordinary shares in the Company

Certain directors of the Company were granted share options which when exercised were eligible to subscribe for, in total, 14,000,000 shares of the Company. Details of the share options granted has been set out in the section "SHARE OPTIONS" to this announcement.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND / OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, 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 equity derivatives of the Company

| Shareholders | Capacity/ type of interest | Number of shares interested <i>(Note 10)</i> | Percentage of issued shares <i>(Note 10)</i> | Number of shares interested under equity derivatives <i>(Note 11)</i> | Total number of shares/ underlying shares under equity derivatives <i>(Note 11)</i> | Percentage of issued shares <i>(Note 12)</i> |
|---|---|---|---|--|---|---|
| CIMC Top Gear B.V. | Beneficial owner | 1,223,571,430 | 8.5% | – | 1,223,571,430 | 6.4% |
| Cooperatie CIMC U.A. | Interest of a controlled corporation <i>(Note 1)</i> | 1,223,571,430 | 8.5% | – | 1,223,571,430 | 6.4% |
| Sharp Vision Holdings Limited (“Sharp Vision”) | Beneficial owner | 6,164,472,279 | 42.6% | 3,454,490,318 | 9,618,962,597 | 50.5% |
| China International Marine Containers (Hong Kong) Limited (“CIMC HK”) | Interest of a controlled corporation <i>(Note 2 & 3)</i> | 7,388,043,709 | 51.1% | 3,454,490,318 | 10,842,534,027 | 56.9% |
| CIMC | Interest of a controlled corporation <i>(Note 4)</i> | 7,388,043,709 | 51.1% | 3,454,490,318 | 10,842,534,027 | 56.9% |
| Fengqiang Holdings Limited (“Fengqiang”) | Beneficial owner | 2,290,956,291 | 15.8% | 325,795,402 | 2,616,751,693 | 13.7% |
| Fengqiang Hong Kong Co., Limited (“Fengqiang HK”) | Interest of a controlled corporation <i>(Note 5)</i> | 2,290,956,291 | 15.8% | 325,795,402 | 2,616,751,693 | 13.7% |
| Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司) (“TGM”) | Interest of a controlled corporation <i>(Note 5)</i> | 2,290,956,291 | 15.8% | 325,795,402 | 2,616,751,693 | 13.7% |
| Genius Earn Limited | Beneficial owner | 115,375,000 | 0.8% | – | 115,375,000 | 0.6% |
| Lucky Rich Holdings Limited (“Lucky Rich”) | Beneficial owner | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 10.3% |
| Shanghai Yunrong Investment Centre* (上海蘊融投資中心(有限合伙)) | Interest of a controlled corporation <i>(Note 6)</i> | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 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 <i>(Note 6)</i> | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 10.3% |
| Liu Xiaolin | Interest of a controlled corporation <i>(Note 7)</i> | 1,380,054,470 | 9.5% | 697,884,300 | 2,077,938,770 | 10.9% |
| Yang Yuan | Interest of Spouse <i>(Note 8)</i> | 1,380,054,470 | 9.5% | 697,884,300 | 2,077,938,770 | 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 <i>(Note 9)</i> | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 10.3% |

| Shareholders | Capacity/ type of interest | Number of shares interested <i>(Note 10)</i> | Percentage of issued shares <i>(Note 10)</i> | Number of shares interested under equity derivatives <i>(Note 11)</i> | Total number of shares/ underlying shares under equity derivatives <i>(Note 11)</i> | Percentage of issued shares <i>(Note 12)</i> |
|--|---|---|---|--|---|---|
| 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 <i>(Note 9)</i> | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 10.3% |
| Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司) | Interest of a controlled corporation <i>(Note 9)</i> | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 10.3% |
| Jingwei Textile Machinery Co., Ltd | Interest of a controlled corporation <i>(Note 9)</i> | 1,264,679,470 | 8.7% | 697,884,300 | 1,962,563,770 | 10.3% |

* The English translations of the Chinese names of such PRC entities are provided for identification purpose only.

Notes:

1. 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.
2. 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.
3. 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.
4. CIMC is beneficially interested in the entire share capital of CIMC HK 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 CIMC HK in which CIMC HK has declared interest for the purpose of the SFO.
5. Fengqiang HK is beneficially interested in the entire share capital of Fengqiang and is deemed or taken to be interested in the 2,290,956,291 shares and 325,795,402 shares interested under equity derivatives in which Fengqiang has declared an interest for the purpose of the SFO. TGM is beneficially interested in the entire share capital of Fengqiang HK and is deemed or taken to be interested in the 2,290,956,291 shares and 325,795,402 shares interested under equity derivatives in which shares interested under equity derivatives has declared an interest for the purpose of the SFO.
6. Shanghai Yunrong 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.

7. 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 SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming Investment Consulting Co., Ltd.
8. 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.
9. Dazi Dingcheng Capital Investment Co., Ltd. is beneficially interested in 0.2% of the issued share capital of Shanghai Yunrong. 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. 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.
10. The number of shares and percentage stated represents the number of shares held as stated in the relevant disclosure of interest forms and as percentage of the issued share capital of the Company at 30 June 2018.
11. Number of shares represents the number of shares held assuming all of the outstanding convertible bonds held have been fully converted, as stated in the relevant disclosure of interest forms.
12. 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 30 June 2018.

COMPETING INTERESTS

None of the directors of the Company or the management shareholder of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or had any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the

period or at any time during the period.

DIRECTORS' SECURITIES TRANSACTIONS

During the period ended 30 June 2018, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. Having made enquiry of all directors, they confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

COPORATE GOVERNANCE

Corporate governance practices

Throughout the period ended 30 June 2018, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except for the following:

1. There were no fixed terms of appointment for the directors although they are subject to retirement by rotation according to the Company's articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.
2. According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation.

Audit Committee

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man. The primary duties of the audit committee are to review the Company's annual report and accounts and half-yearly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Group's results for the period have been reviewed by the audit committee.

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

As at the date of this announcement, the Company's Directors are as follows:

| | |
|---------------------------|---|
| <i>Dr. Li Yin Hui</i> | <i>Chairman and Non-executive Director</i> |
| <i>Mr. Jiang Xiong</i> | <i>Honorary Chairman and Executive Director</i> |
| <i>Mr. Zheng Zu Hua</i> | <i>Executive Director</i> |
| <i>Mr. Luan You Jun</i> | <i>Executive Director</i> |
| <i>Mr. Yu Yu Qun</i> | <i>Non-executive Director</i> |
| <i>Mr. Robert Johnson</i> | <i>Non-executive Director</i> |
| <i>Dr. Loke Yu</i> | <i>Independent non-executive Director</i> |
| <i>Mr. Heng Ja Wei</i> | <i>Independent non-executive Director</i> |
| <i>Mr. Ho Man</i> | <i>Independent non-executive Director</i> |

Hong Kong, 27 August 2018