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 China Fire Safety Enterprise Group Limited, you should at once hand this circular to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of China Fire Safety Enterprise Group Limited.

CFE

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)

(1) VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND SPECIAL DEAL
(2) PROPOSED ISSUE OF CONSIDERATION SHARES, CONVERTIBLE BONDS AND SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE
(3) PROPOSED INCREASE OF AUTHORIZED CAPITAL
(4) APPLICATION FOR WHITEWASH WAIVER
AND
(5) PROPOSED CHANGE OF COMPANY NAME

Financial adviser to China Fire Safety Enterprise Group Limited

海通國際
HAITONG

Independent financial adviser to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders

YF FINANCIAL
云锋金融

Yunfeng Financial Markets Limited

(A member of Yunfeng Financial Group)

A letter from the Board is set out on pages 12 to 73 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 74 to 75 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders is set out on pages 77 to 147 of this circular. A notice convening the extraordinary general meeting of the Company (the "**CFE EGM**") to be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 11 April 2018 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular.

Whether or not you are able to attend the CFE EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 the holding of the CFE EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the CFE EGM or any adjournment thereof (as the case may be) should you so wish.

15 March 2018

CONTENTS

FORWARD LOOKING STATEMENTS

This circular contains forward-looking statements that are not historical facts, but relate to the plans, intentions, beliefs, expectations and predictions for the future. By their nature, these forward-looking statements are subject to risks and uncertainties.

The forward-looking statements in this circular include, without limitation, statements relating to:

– the competition in the market in which the Pteris Group operates;

– the operations and business strategies of the Pteris Group;

– changes in the regulatory policies of the PRC government and other relevant government authorities and their potential impact on the Pteris Group's businesses;

– the effects of competition in the Pteris Group's industry and their potential impact on the Pteris Group's businesses;

– changes in regulations and restrictions;

– the Pteris Group's ability to expand and manage the Pteris Group's businesses and to introduce new products;

– future development, trends and conditions in the industry in which the Pteris Group operates;

– changes in restrictions on foreign currency convertibility and remittance abroad;

– fluctuations in exchange rates and interest rates; and

– the financial conditions and performance of the CFE Group, the Pteris Group and/or the TianDa Group.

In addition, statements regarding the future financial position, strategies, projected costs and the plans and the objectives of the management of the CFE Group, the Pteris Group and/or the TianDa Group for future operations are forward-looking statements. In some cases, the Company uses words such as "aim", "continue", "predict", "propose", "believe", "seek", "intend", "anticipate", "estimate", "project", "forecast", "target", "plan", "potential", "will", "would", "may", "could", "should" and "expect", and the negatives of these words and other similar expressions, to identify forward-looking statements.

These forward-looking statements reflect the current views of the management of the CFE Group, the Pteris Group and/or the TianDa Group on future events but are not assurance of future performance, and will be affected by certain risks, uncertainties and assumptions, including the risk factors mentioned in this circular. The possible occurrence of one or more relevant risk factors or uncertainties, or the potential inaccuracy of the relevant assumptions, may cause actual results, performance or effects or industry results to differ materially from any future results, performance or presentation indicated expressly or implicitly in the forward-looking statements.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements contained in this circular, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the Company's control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this circular may not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this circular are qualified by reference to these cautionary statements.

The Company is required under Rule 9.1 of the Takeovers Code to notify the CFE Shareholders of any material changes to the information contained in this circular as soon as possible subsequent to its despatch and prior to the CFE EGM.

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

"Bondholder(s)"	holder(s) of a Convertible Bond
"CAGR"	compound annual growth rate
"CASBE"	China Accounting Standards for Business Enterprises, the financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
"CFE" or "Company"	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445)
"CFE Board"	the board of CFE Directors
"CFE Director(s)" or "Director(s)"	the director(s) of CFE
"CFE EGM"	the extraordinary general meeting of CFE to be convened at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 11 April 2018 at 3:00 p.m. (or any adjournment thereof) to consider and, if thought fit, approve the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Proposed Change of Company Name, the Proposed Conversion, the Subscription, the Specific Mandate, the Whitewash Waiver and the Special Deal
"CFE Group" or "Group"	CFE and its subsidiaries
"CFE Independent Board Committee"	the independent committee of the CFE Board comprising all of the independent non-executive CFE Directors which was formed to advise the Independent CFE Shareholders on matters in relation to the Proposed Acquisitions, the Subscription and the Specific Mandate
"CFE Independent Financial Adviser"	Yunfeng Financial Markets Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by CFE to advise the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders on matters in respect of the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Specific Mandate, the Whitewash Waiver and the Special Deal

"CFE Memorandum of Association"	the memorandum of association of CFE as amended, revised or supplemented from time to time
"CFE Share(s)" or "Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of CFE
"CFE Share Option Scheme"	the share option scheme adopted by CFE on 29 May 2009
"CFE Share Option(s)"	the share option(s) of CFE under the CFE Share Option Scheme
"CFE Shareholder(s)"	holder(s) of CFE Shares
"CFE Whitewash Waiver Board Committee"	the independent committee of the CFE Board comprising all non-executive directors and independent non-executive directors of CFE who have no direct or indirect interest in the Proposed Acquisitions, the Whitewash Waiver and/or the Special Deal which was formed to advise the Independent CFE Shareholders on matters, in relation to the Proposed Acquisitions, the Subscription, the Whitewash Waiver, the Proposed Conversion and the Special Deal
"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, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000039) and the Main Board of the Stock Exchange (Stock Code: 2039), and the indirect controlling shareholder of CFE, holding 30% of the issued share capital of CFE as at the Latest Practicable Date
"CIMC Concert Group"	CIMC and parties acting in concert with it (as defined in the Takeovers Code)
"CIMC Finance"	China Marine Containers (Group) Finance Co., Ltd.* (中集集團財務有限公司), a wholly-owned subsidiary of CIMC and a finance company established for the provision of financial services to members of the CIMC Group
"CIMC Group"	CIMC and its subsidiaries
"CM Capital Holdings"	China Merchants Capital Holdings Co., Ltd.*(招商局資本控股有限責任公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CM Group
"CM Group"	China Merchants Group Limited (招商局集團有限公司), a leading state-owned conglomerate based in Hong Kong and under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council

"CM Huihe"	Shenzhen China Merchants Huihe Equity Investment Fund Management Co., Ltd.*(深圳市招商慧合股權投資基金管理有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CM Group
"CM Investment"	China Merchants (CIMC) Investment Limited, an indirect wholly-owned subsidiary of CM Group which holds approximately 24.51% of the total issued share capital of CIMC as at the Latest Practicable Date
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration Share(s)"	up to 7,470,108,040 new CFE Shares of HK$0.01 each in the capital of CFE to be allotted and issued in satisfaction of part of the consideration of the Proposed Acquisitions in accordance with the terms of the Sale Purchase Agreements
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Conversion Price"	the initial conversion price of HK$0.366 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
"Conversion Shares"	the CFE Shares to be allotted and issued by CFE upon the exercise of the conversion rights attaching to the Convertible Bonds
"Convertible Bonds"	the convertible bonds to be issued by CFE to the Vendors in satisfaction of part of the consideration of the Proposed Acquisitions in accordance with the terms of the Sale and Purchase Agreements in the aggregate principal amount of up to RMB2,093,133,694
"Deferred Settlement Date"	the date on which the consideration for the Proposed Pteris Acquisition is fully settled by CFE's issuance of additional Consideration Shares or Convertible Bonds, as the case may be, pursuant to the terms of the Pteris Sale and Purchase Agreement (assuming the TianDa Completion does not take place on or prior to the Pteris Completion)
"Disposal"	the disposal of a group of subsidiaries by the CFE Group pursuant to a sale and purchase agreement dated 27 February 2015 entered into with a third party independent of the Company and its connected persons
"Disposal Subsidiaries"	a group of subsidiaries of CFE disposed of under the Disposal
"EBITDA"	earnings before interest, taxation, depreciation and amortization
"Enlarged Group"	the CFE Group, as enlarged by the Proposed Acquisitions

"EUR"	EURO, the lawful currency of the Eurozone
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"Fengqiang"	Fengqiang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by TGM
"Frost & Sullivan Report"	an industry report commissioned by CFE and prepared by Frost & Sullivan
"Guidance Fund"	Shenzhen Guidance Fund Investment Co., Ltd.* (深圳市引導基金投資有限公司), a limited liability company established in the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Independent CFE Shareholders"	CFE Shareholders other than the CIMC Concert Group and those CFE Shareholders who are interested or involved in the Proposed Acquisitions, the Specific Mandate, the proposed increase of authorized capital of CFE, the Proposed Change of Company Name, the Proposed Conversion, the Whitewash Waiver, the Special Deal and/or the Subscription Agreement and the transactions contemplated thereunder
"Joint Announcement"	the joint announcement dated 4 December 2017 made by CFE and CIMC in relation to, among other things, the Proposed Acquisitions, the Whitewash Waiver and the Special Deal
"Last Trading Day"	1 December 2017, being the last trading day of the CFE Shares before the release of the Joint Announcement
"Latest Practicable Date"	12 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 March 2018 or such later date as may be agreed in writing by the parties to the relevant Sale and Purchase Agreements

"Lucky Rich"	Lucky Rich Holdings Limited, a company incorporated in Samoa, which is interested in 30% of the equity interest in TianDa as at the Latest Practicable Date
"Period Under Review"	the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017
"PRC"	the People's Republic of China, and for the purpose of circular, excluding Hong Kong, the Macau Administrative Region of the PRC and Taiwan
"Proposed Acquisitions"	the Proposed Pteris Acquisition and the Proposed TianDa Acquisition
"Proposed Change of Company Name"	the proposed change of the name of the Company from "China Fire Safety Enterprise Group Limited" to "CIMC-TianDa Holdings Company Limited" and the Chinese name from「中國消防企業集團有限公司」to「中集天達控股有限公司」
"Proposed Conversion"	the proposed conversion of the Convertible Bonds by Sharp Vision in the principal amount of RMB466,650,000
"Proposed Conversion Shares"	1,500,000,000 Conversion Shares under the Proposed Conversion, to be issued to Sharp Vision
"Proposed Pteris Acquisition"	the proposed acquisition of the Pteris Sale Shares by Wang Sing pursuant to the Pteris Sale and Purchase Agreement

"Proposed Restructuring"	the proposed disposal of approximately 78.15% equity interest in Pteris by Sharp Vision to CFE at a consideration of RMB2,992,459,264 to be satisfied by CFE issuing (i) 6,326,428,570 Consideration Shares, representing approximately 54.8% of the issued share capital of CFE as enlarged by the allotment and issuance of the Consideration Shares in respect of the Proposed Pteris Acquisition (or, 4,664,472,279 Consideration Shares if the Proposed TianDa Acquisition takes place, representing approximately 40.4% of the issued share capital of CFE as enlarged by the allotment and issuance of Consideration Shares in respect of the Proposed Acquisitions), and (ii) the Convertible Bonds in the principal amount of RMB1,024,307,336, representing approximately 20.2% of the issued share capital of CFE as enlarged by the allotment and issuance of the Consideration Shares in respect of the Proposed Pteris Acquisition and upon full conversion of the Convertible Bonds of CFE issued in respect of the Proposed Pteris Acquisition (or, the Convertible Bonds in the principal amount of RMB1,541,341,938 if the Proposed TianDa Acquisition has taken place, representing approximately 27.1% of the issued share capital as enlarged by the allotment and issuance of Consideration Shares in respect of the Proposed Acquisitions and upon full conversion of the Convertible Bonds), pursuant to the Pteris Sale and Purchase Agreement, which is a key step for the CIMC Group's internal restructuring, consolidation and strengthening of several ancillary business segments of the CIMC Group, as further stated in Part D of the section headed "Letter from the Board" of this circular
"Proposed TianDa Acquisition"	the proposed acquisition of the TianDa Sale Interest by Wang Sing pursuant to the TianDa Equity Transfer Agreement
"Pteris"	Pteris Global Limited, a company incorporated in Singapore with limited liability and a non-wholly owned subsidiary of CIMC
"Pteris Completion"	completion of the sale and purchase of the Pteris Sale Shares and the subscription of the Consideration Shares and Convertible Bonds by the Pteris Vendors (or their respective nominee(s)) pursuant to the terms of the Pteris Sale and Purchase Agreement
"Pteris Director(s)"	the director(s) of Pteris
"Pteris Group"	Pteris and its subsidiaries
"Pteris Sale and Purchase Agreement"	the sale and purchase agreement dated 4 December 2017 entered into by Wang Sing, CFE and the Pteris Vendors in respect of the Proposed Pteris Acquisition
"Pteris Sale Shares"	the 383,064,391 Pteris Shares held by the Pteris Vendors, representing approximately 99.41% of the issued share capital of Pteris as at the Latest Practicable Date

"Pteris Share(s)"	ordinary share(s) of Pteris
"Pteris Vendors"	Sharp Vision and Fengqiang
"Relevant Period"	the period from 4 June 2017, being the date falling six months preceding the date of the Joint Announcement, up to the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreements"	the Pteris Sale and Purchase Agreement and the TianDa Equity Transfer Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGD"	Singapore dollars, the lawful currency of the Republic of Singapore
"Shanghai Yunrong"	Shanghai Yunrong Investment Centre* (上海蘊融投資中心), a limited partnership established in the PRC, which holds the entire equity interest in Lucky Rich as at Latest Practicable Date
"Sharp Vision"	Sharp Vision Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CIMC, which is interested in approximately 78.15% of the issued share capital of Pteris as at the Latest Practicable Date
"Shenzhen Listing Rules"	the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange
"Special Deal"	the Proposed TianDa Acquisition which constitutes a special deal under Rule 25 of the Takeovers Code
"Sichuan Morita"	Sichuan Morita Fire Appliances Co., Ltd., subsequently renamed as Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd., a subsidiary of CFE
"Specific Mandate"	a specific mandate to be granted to the CFE Directors in relation to the issuance of the Consideration Shares, the Conversion Shares and Subscription Shares to be approved by the Independent CFE Shareholders at the CFE EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structural Reform Fund"	China Structural Reform Fund Co., Ltd.*(中國國有企業結構調整基金股份有限公司), a limited liability company established in the PRC

"Subscriber"	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
"Subscription"	the subscription by the Subscriber of the Subscription Shares to be allotted and issued by the Company at the Subscription Price pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 6 February 2018 entered into between the Company and the Subscriber in relation to the Subscription
"Subscription Announcement"	the announcement of CFE dated 6 February 2018 in relation to the Subscription
"Subscription Completion"	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
"Subscription Completion Date"	the date on which the Subscription Completion takes place
"Subscription Conditions"	the conditions precedent to the Subscription Completion under the Subscription Agreement
"Subscription Long Stop Date"	30 June 2018 (or such other date as the Company and the Subscriber may agree in writing pursuant to the terms of the Subscription Agreement)
"Subscription Monies"	the aggregate sum of the Subscription Price multiplied by the number of Subscription Shares under the Subscription Agreement
"Subscription Price"	the subscription price of HK$0.366 per Subscription Share
"Subscription Share(s)"	673,225,000 new Shares to be issued and allotted by the Company to the Subscriber under the Subscription
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TGM"	Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司), a company established in the PRC with limited liability, which is indirectly (through Fengqiang) interested in approximately 21.26% of the issued share capital of Pteris as at the Latest Practicable Date
"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 and a non-wholly owned subsidiary of Pteris
"TianDa Completion"	completion of the sale and purchase of the TianDa Sale Interest and the subscription of the Consideration Shares and Convertible Bonds by Lucky Rich (or its nominee(s)) pursuant to the terms of the TianDa Equity Transfer Agreement

"TianDa Condition(s)"	the condition(s) precedent to the TianDa Completion as provided in the TianDa Equity Transfer Agreement
"TianDa Equity Transfer Agreement"	the sale and purchase agreement dated 4 December 2017 entered into by CFE and Lucky Rich in respect of the Proposed TianDa Acquisition
"TianDa Group"	TianDa and its subsidiaries
"TianDa Sale Interest"	30% of the equity interest of TianDa held by Lucky Rich
"Top Gear"	CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability and an indirect wholly-owned subsidiary of CIMC
"U.S."	United States of America
"US$"	United States dollars, the lawful currency of the U.S.
"Vendors"	the Pteris Vendors and Lucky Rich
"Wang Sing"	Wang Sing Technology Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CFE
"Whitewash Waiver"	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Sharp Vision to make a mandatory general offer for all CFE Shares and CFE Share Options that are not already or agreed to be acquired by the CIMC Concert Group as a result of the allotment and issuance of the Consideration Shares to Sharp Vision, the Subscription Shares to the Subscriber and the Proposed Conversion Shares to Sharp Vision
"Xinhe Investment"	Shenzhen Xinhe Investment (Limited Partnership)* (深圳市新合投資合夥企業(有限合夥)), a limited partnership established in the PRC
"Yantian Investment"	Shenzhen Yantian State-owned Capital Investment Management Co., Ltd.*(深圳市鹽田區國有資本投資管理有限公司), a limited liability company established in the PRC
"Ziegler"	Albert Ziegler GmbH, a limited liability company incorporated in Germany
"Ziegler Acquisition"	the acquisition of 40% equity interests in Ziegler from a subsidiary of CIMC by the CFE Group pursuant to a sale and purchase agreement dated 27 February 2015
"%"	per cent.

* *If there are any inconsistencies in this circular between the Chinese names of the entities or enterprises established in the PRC mentioned in this circular and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purpose only.*

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)

Non-executive Directors:
Li Yin Hui *(Chairman)*
Yu Yu Qun
Robert Johnson

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

Independent non-executive Directors:
Loke Yu
Heng Ja Wei
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. 8, Section I, Xin Hua Road
Chengdu Cross-Straits Technological Industry Park
Wenjiang District
Chengdu City
Sichuan Province, PRC

15 March 2018

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND SPECIAL DEAL (2) PROPOSED ISSUE OF CONSIDERATION SHARES, CONVERTIBLE BONDS AND SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE (3) PROPOSED INCREASE OF AUTHORIZED CAPITAL (4) APPLICATION FOR WHITEWASH WAIVER AND (5) PROPOSED CHANGE OF COMPANY NAME

PART A: VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND SPECIAL DEAL

(1) The Pteris Sale and Purchase Agreement

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

Date

4 December 2017

Parties

(i) Wang Sing (as the purchaser of the Pteris Sale Shares);

(ii) CFE (as the issuer of the Consideration Shares and Convertible Bonds);

(iii) Sharp Vision (as one of the vendors of the Pteris Sale Shares); and

(iv) Fengqiang (as one of the vendors of the Pteris Sale Shares).

Subject Matter

Wang Sing has conditionally agreed to acquire, and Sharp Vision and Fengqiang have conditionally agreed to sell 301,153,690 Pteris Shares and 81,910,701 Pteris Shares, representing approximately 78.15% and 21.26% of the issued share capital of Pteris, respectively.

Consideration

The aggregate consideration for the Proposed Pteris Acquisition is RMB3,806,530,716, of which RMB2,992,459, 264 shall be payable to Sharp Vision and RMB814,071,452 shall be payable to Fengqiang, in the following manner:

If the TianDa Completion does not take place on or prior to the Pteris Completion:

(i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,024,307,336 to Sharp Vision (or its nominee(s)) on the date of the Pteris Completion; and

(a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 1,661,956,291 Consideration Shares shall be issued by CFE within ten business days after the Long Stop

Date. In such case, a total of 6,326,428,570 Consideration Shares and Convertible Bonds in the principal amount of RMB1,024,307,336 will be allotted and issued to Sharp Vision (or its nominee(s)); or

(b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, additional Convertible Bonds in the principal amount of RMB517,034,602 shall be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 4,664,472,279 Consideration Shares and Convertible Bonds in the principal amount of RMB1,541,341,938 will be allotted and issued to Sharp Vision (or its nominee(s)); and

(ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 956,000,000 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 to Fengqiang (or its nominee(s)) on the date of the Pteris Completion, and:

(a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 187,679,470 Consideration Shares and additional Convertible Bonds in the principal amount of RMB201,367,819 shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 1,143,679,470 Consideration Shares and Convertible Bonds in the principal amount of RMB458,272,769 will be allotted and issued to Fengqiang (or its nominee(s)); or

(b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 834,956,291 Consideration Shares shall to be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 1,790,956,291 Consideration Shares and Convertible Bonds in the principal amount of RMB256,904,950 will be allotted and issued to Fengqiang (or its nominee(s)).

If the TianDa Completion takes place on or prior to the Pteris Completion:

(i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,541,341,938 to Sharp Vision (or its nominee(s)); and

(ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 1,790,956,291 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 by CFE to Fengqiang (or its nominee(s)).

The number of Consideration Shares and the principal amount of Convertible Bonds to be issued by CFE to Sharp Vision and Fengqiang (or their respective nominees) are different depending on whether and when the TianDa Completion takes place. In the event that the TianDa Completion takes place, it may take place either prior to or concurrently with or after the Pteris Completion. In the event that the TianDa Completion does not take place on or prior to the Pteris Completion, the consideration for the Proposed Pteris Acquisition will be fully settled on the Deferred Settlement Date, which will be within ten business days after the Long Stop Date as further explained above. The above payment mechanism is to ensure that CFE would be able to satisfy the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules in all scenarios, since in the case of the TianDa Completion, additional Consideration Shares would need to be issued to Lucky Rich as vendor of the TianDa Sale Interest, which would reduce the public float of CFE. The TianDa Completion is subject to the satisfaction (or waiver thereof) of the conditions precedents for the Proposed Pteris Acquisition.

Please refer to the section headed "Part B: Proposed Issue of Consideration Shares, Convertible Bonds, Conversion Shares and Subscription Shares under Specific Mandate by CFE: (3) Effect of the Proposed Issue of the Consideration Shares and the Convertible Bonds on the Shareholding Structure of CFE" below for further illustration.

Conditions Precedent

The Pteris Completion shall be conditional upon the following conditions being fulfilled (or waived by Wang Sing, as the case may be):

(a) the passing of all necessary resolutions by the Independent CFE Shareholders at a general meeting approving, among other things, the Proposed Pteris Acquisition, the issue of Consideration Shares and Convertible Bonds in respect of the Proposed Pteris Acquisition, the proposed increase in authorized capital of CFE and the Whitewash Waiver pursuant to the requirements of the Takeovers Code and the Listing Rules;

(b) the passing of all resolutions by the independent CIMC Shareholders (or minority CIMC Shareholders, as the case may be) at a general meeting approving, among other things, the Proposed Restructuring (including the approval of the waiver of assured entitlement) pursuant to the requirements of the Shenzhen Listing Rules and the Listing Rules;

(c) the obtaining of the Whitewash Waiver by CIMC (or its wholly-owned subsidiary) from the Executive;

(d) the obtaining of the approval of the spin-off proposal by CIMC from the Stock Exchange pursuant to Practice Note 15 of the Listing Rules;

(e) the listing of, and the permission to deal in, all the Consideration Shares and Conversion Shares to be issued upon full conversion of the Convertible Bonds under the Proposed Pteris Acquisition being granted by the Stock Exchange and not having been revoked;

(f) the representations and warranties given by each of the Pteris Vendors under the Pteris Sale and Purchase Agreement having remained true, accurate and not misleading in all material respects throughout the period from the date of the Pteris Sale and Purchase Agreement to the Pteris Completion;

(g) no events having occurred which caused, causes or may cause material adverse effect on (i) the assets, business, operation or financial condition of the Pteris Group as a whole; or (ii) the ability of the Pteris Vendors to perform or comply with their respective material obligations, undertakings or covenants under the Pteris Sale and Purchase Agreement; and

(h) there being no applicable laws, rules, regulations, decrees of any court or decisions of any regulator (such as the Stock Exchange) which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on completion of the transactions contemplated under the Pteris Sale and Purchase Agreement.

No party can waive any of the abovementioned conditions, except Wang Sing may waive condition (f) at its absolute discretion at or before 12:00 noon (Hong Kong time) on the Long Stop Date.

The representations and warranties given by each of the Pteris Vendors under the Pteris Sale and Purchase Agreement as referred to in condition (f) above are primarily related to, among other things, due incorporation of Pteris, ownership of the Pteris Sale Shares, financial position of the Pteris Group and other representations and warranties customary to similar transactions. In the event that any representation or warranty given by either of the Pteris Vendors is untrue, inaccurate or misleading in any material respect throughout the date of the Pteris Sale and Purchase Agreement to the Pteris Completion, Wang Sing will, subject to the review of its board of directors and the CFE Board at the relevant time, consider to waive such condition if it is of the view that (i) the potential benefits to the CFE Group by proceeding to the Pteris Completion outweighs the risk resulted from such condition not being fulfilled; and (ii) the consummation of the Proposed Pteris Acquisition remains fair and reasonable and in the interest of CFE and the CFE Shareholders as a whole, taking into account various factors such as the long-term business strategies of the CFE Group and the operational and financial condition of the Pteris Group at the time.

In any event, such exercise of Wang Sing's right to waive condition (f) pursuant to the Pteris Sale and Purchase Agreement is not expected to affect the substance of the Proposed Pteris Acquisition.

As at the Latest Practicable Date, none of the conditions to the Pteris Completion had been fulfilled or waived.

Wang Sing shall not be obliged to complete the sale and purchase of any of the Pteris Sale Shares unless the sale and purchase of all the Pteris Sale Shares are completed simultaneously.

Termination

The Pteris Sale and Purchase Agreement shall terminate by agreement in writing between the parties to the Pteris Sale and Purchase Agreement or in the event the conditions precedent for the Proposed Pteris Acquisition are not fulfilled (or waived by Wang Sing, as the case may be) on or before 12:00 noon on the Long Stop Date.

(2) The TianDa Equity Transfer Agreement

The principal terms of the TianDa Equity Transfer Agreement are set forth below:

Date

4 December 2017

Parties

(i) Wang Sing (as the purchaser of the TianDa Sale Interest); and

(ii) Lucky Rich (as the vendor of the TianDa Sale Interest).

Subject Matter

Wang Sing has conditionally agreed to acquire and Lucky Rich has conditionally agreed to sell, the TianDa Sale Interest, representing 30% of the equity interest of TianDa.

Consideration

The consideration for the Proposed TianDa Acquisition is RMB610,553,589, which shall be satisfied by the issuance of 1,014,679,470 Consideration Shares at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB294,886,806 by CFE to Lucky Rich (or its nominee(s)).

Conditions Precedent

The TianDa Completion shall be conditional upon the following conditions being fulfilled (or waived by the parties thereto, as the case may be):

(a) all conditions precedents for the Proposed Pteris Acquisition having been satisfied (or waived by Wang Sing pursuant to the terms thereof);

(b) the passing of all necessary resolutions by the Independent CFE Shareholders at a general meeting approving, among other things, the Proposed TianDa Acquisition, the issue of the Consideration Shares and Convertible Bonds in respect of the Proposed TianDa Acquisition, the proposed increase in authorized capital of CFE and the Special Deal pursuant to the requirements of the Listing Rules and the Takeovers Code;

(c) the representations and warranties given by Wang Sing under the TianDa Equity Transfer Agreement having remained true, accurate and not misleading in all material respects throughout the period from the date of the TianDa Equity Transfer Agreement to the TianDa Completion;

(d) the representations and warranties given by Lucky Rich under the TianDa Equity Transfer Agreement having remained true, accurate and not misleading in all material respects throughout the period from the date of the TianDa Equity Transfer Agreement to the TianDa Completion;

(e) no events having occurred which caused, causes or may cause material adverse effect on the assets, business, operation or financial condition of the TianDa Group as a whole;

(f) there being no applicable laws which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on completion of the transactions contemplated under the TianDa Equity Transfer Agreement;

(g) the consent of the Executive in relation to the TianDa Equity Transfer Agreement and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not having been revoked prior to the TianDa Completion;

(h) the listing of, and the permission to deal in, all the Consideration Shares and Conversion Shares to be issued upon full conversion of the Convertible Bonds under the Proposed TianDa Acquisition being granted by the Stock Exchange and not having been revoked;

(i) all necessary approvals and filings in respect of the Proposed TianDa Acquisition at the relevant commission of economy having been obtained and/or completed; and

(j) (if required) the passing of resolutions by the shareholders of TianDa by written resolutions or at a general meeting approving the Proposed TianDa Acquisition and the transactions contemplated thereunder.

The TianDa Completion is subject to, amongst other things, the conditions precedents for the Proposed Pteris Acquisition having been satisfied (or waived by Wang Sing pursuant to the terms of the Pteris Sale and Purchase Agreement). In the event that the TianDa Completion takes place, it may take place either prior to or concurrently with or after the Pteris Completion. If the conditions precedents for the Proposed Pteris Acquisition are satisfied (or waived, as applicable) but the conditions precedent for the Proposed TianDa Acquisition are not satisfied (or waived, as applicable), the Proposed Pteris Acquisition will proceed and the Proposed TianDa Acquisition will not proceed.

No party can waive any of the abovementioned conditions, except Lucky Rich may waive condition (c) and Wang Sing may waive condition (d) and (e), respectively, at their absolute discretions on or before the Long Stop Date.

In any event such exercise of Lucky Rich's right to waive condition (c) or Wang Sing's right to waive condition (d) and (e) pursuant to the TianDa Equity Transfer Agreement is not expected to affect the substance of the Proposed TianDa Acquisition for the following reasons:

(i) The representations and warranties given by Wang Sing under the TianDa Equity Transfer Agreement as referred to in condition (c) above are primarily related to, among other things, (a) Wang Sing being duly incorporated and existing in line with all laws and regulations, passing of all necessary resolutions and obtaining of all necessary authorizations for the performance of its obligations under TianDa Equity Transfer Agreement, (b) no violation of or no conflict with (1) any judgment, order or any applicable law or requirement applicable thereto; or (2) any document or agreement that it is engaged in binding on itself and/or its assets, (c) performance of its obligations under TianDa Equity Transfer Agreement strictly.

(ii) The representations and warranties given by Lucky Rich under the TianDa Equity Transfer Agreement as referred to in condition (d) above are primarily related to, among other things, (a) the passing of all necessary resolutions and obtaining of all necessary authorizations for the performance of its obligations under the TianDa Equity Transfer Agreement, (b) no violation of or no conflict with (1) the articles of association of TianDa or any of its organizational documents; or (2) any judgment, order or any applicable law or requirement applicable thereto; or (3) any document or agreement that it is engaged in binding on itself and on its assets, (c) Lucky Rich lawfully owns the entire equity interest in the TianDa Sale Interest and, on the TianDa Completion, there is no pledge, seizure, freezing and other restrictions on the rights and obligations of any third party on the TianDa Sale Interest held by Lucky Rich, and Pteris waives in writing the right of pre-emption of the TianDa Sale Interest, and (d) performance of its obligations under TianDa Equity Transfer Agreement strictly. The condition (e) under the TianDa Equity Transfer Agreement relates primarily to certain events which may adversely affect the TianDa Group.

In the event that any representation or warranty given by Lucky Rich is untrue, inaccurate or misleading in any material respect throughout the date of the TianDa Equity Transfer Agreement to the Long Stop Date or any of the events that adversely affect the TianDa Group takes place, Wang Sing will, subject to the review of its board of directors at the relevant time, consider to waive such condition if it is of the view that (i) the potential benefits to the CFE Group by proceeding to the TianDa Completion overweighs the risk resulted from such condition not being fulfilled; and (ii) the consummation of the Proposed TianDa Acquisition remains fair and reasonable and in the interest of the CFE Group and the CFE Shareholders, taking into account various factors such as the long-term business strategies of the CFE Group and the operational and financial condition of the TianDa at the time.

To the best of the knowledge and belief of the Company, as at the Latest Practicable Date, there is no circumstance that a waiver is expected to be required.

As at the Latest Practicable Date, none of the conditions to the TianDa Completion had been fulfilled or waived.

Termination

The TianDa Equity Transfer Agreement shall terminate by agreement in writing between the parties to the TianDa Equity Transfer Agreement or in the event the conditions precedent for the Proposed TianDa Acquisition are not fulfilled (or waived by the parties thereto, as the case may be) on or before 12:00 noon on the Long Stop Date.

Undertaking by CFE

In connection with the TianDa Equity Transfer Agreement and as consideration for the Proposed TianDa Acquisition, CFE has undertaken to Lucky Rich that it will issue 1,014,679,470 Consideration Shares and Convertible Bonds in the principal amount of RMB294,886,806 to Lucky Rich (or its nominee(s)) on the next business day after the date of the TianDa Completion in accordance with the relevant terms of the TianDa Equity Transfer Agreement.

(3) Basis of Consideration for the Proposed Acquisitions

The aggregate consideration for the Proposed Acquisitions is RMB4,417,084,305. The considerations for the Proposed Pteris Acquisition and Proposed TianDa Acquisition were arrived at after arm's length negotiations between Wang Sing, CFE and the Vendors with reference to, among other things, the following factors:

(i) The track record and business prospects of the Pteris Group

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. According to Frost & Sullivan, in 2016, Pteris Group (including TianDa Group) was the second largest supplier of passenger boarding bridges in the world in terms of revenue and the fifth largest supplier of airport logistic systems in the PRC in terms of contract value and the largest supplier of airport apron buses in the PRC in terms of revenue. It is expected that the market demand for the products and services of Pteris Group can increase significantly in the next few years in light of the fast growing civil aviation transportation industry and the expected large number of new civilian airports in the PRC and overseas, as well as the promising prospects of the materials handling systems business. The amount of the order book for the year ended 31 December 2016 and the nine months ended 30 September 2017 is RMB2,539.7 million and RMB1,852.9 million, respectively.

Customers and users of the Pteris Group's PBB and GSE products include, among others, Beijing International Airport, Guangzhou Baiyun Airport, Shanghai Pudong Airport, Shanghai Hongqiao Airport, Paris-Charles de Gaulle Airport, Frankfurt Airport, Phoenix Sky Harbor International Airport, Mumbai Airport, Hong Kong International Airport and other airports in over 69 countries and regions including Australia, Europe, Africa and Latin America.

Moreover, major customers of the MHS business include express delivery, logistics, production and distribution companies such as FedEx, DHL, SF Express, Jingdong, and China Post, as well as other well-known companies such as Sinopec, and BYD; major customers of the APS business include well-known real estate companies such as Vanke Real Estate, China Merchants Real Estate and Wanda Group.

(ii) The financial conditions of the CFE Group and the Pteris Group, in particular, their respective profitability

The revenue resulting from continuing operations of CFE Group decreased by 16.6% from RMB565.2 million for the year ended 31 December 2015 to RMB471.3 million for the year ended 31 December 2016 per the audited consolidated financial statements of the Company as disclosed in its annual reports for the relevant years. The revenue of CFE Group decreased by 3.5% from RMB335.6 million (unaudited) for the nine months ended 30 September 2016 to RMB324.0 million per the audited consolidated financial statements of the Company for the nine months ended 30 September 2017. For the year ended 31 December 2014, CFE Group incurred a net loss of RMB502 million resulting from its continuing and discontinued operations. The net profit of CFE Group resulting from its continuing and discontinued operations decreased by 43.2% from RMB30.4 million for the year ended 31 December 2015 to RMB17.3 million for the year ended 31 December 2016 per the audited consolidated financial statements of the Company as disclosed in its annual reports for the relevant years. The net profit of CFE Group increased by 741.6% from RMB2.2 million (unaudited) for the nine months ended 30 September 2016 to RMB18.2 million per the audited consolidated financial statements of the Company for the nine months ended 30 September 2017.

In contrast, the revenue of the Pteris Group increased from RMB1,116.2 million (based on the exchange rate of SGD:RMB=1:4.6396) for the year ended 31 December 2014 to RMB1,522.8 million (based on the exchange rate of SGD:RMB=1:4.7995) for the year ended 31 December 2016 per the audited consolidated financial statements of Pteris prepared in accordance with HKFRS for the relevant years, representing a CAGR of 14.8% during the three years ended 31 December 2016. The revenue of the Pteris Group increased by 7.5% from RMB643.4 million (unaudited, based on the exchange rate of SGD: RMB = 1:4.8894) for the nine months ended 30 September 2016 to RMB691.6 million (based on the exchange rate of SGD: RMB = 1:4.8920) for the nine months ended 30 September 2017 per the audited consolidated financial statements of Pteris prepared in accordance with HKFRS. The net profit of the Pteris Group increased from RMB61.9 million (based on the exchange rate of SGD:RMB=1:4.6396) for the year ended 31 December 2014 to RMB111.8 million (based on the exchange rate of SGD:RMB=1:4.7995) for the year ended 31 December 2016 per the audited consolidated financial statements of Pteris prepared in accordance with HKFRS for the relevant years, representing a CAGR of 32.1% for the three years ended 31 December 2016. For the nine months ended 30 September 2016 and the nine months ended 30 September 2017, the Pteris Group incurred a net loss of RMB37.8 million (unaudited, based on the exchange rate of SGD: RMB = 1:4.8894) and RMB7.6 million (based on the exchange rate of SGD: RMB = 1:4.8920) respectively per the audited consolidated financial statements of Pteris prepared in accordance with HKFRS.

(iii) The expected synergies to be achieved between the CFE Group and the Pteris Group after completion of the Proposed Acquisitions

In light of the similarity of the Pteris Group's operations and target customers with those of the CFE Group, the Proposed Acquisitions would allow the CFE Group to realize potential synergies through the sharing of the technical know-how, suppliers base, research & development resources, marketing channels and sales network, which would facilitate the CFE Group's market coverage and reduce operation costs. In addition, leveraging the close relationship between the Pteris Group and the large number of airport operators in the PRC and worldwide, the CFE Group will be able to expand its business operations in the PRC as well as such suitable overseas markets in the long term. As at the Latest Practicable Date, approximately 50 airport operators with which the Group currently does not have business relationship are customers or have close business relationships with the Pteris Group.

Further, after completion of the Proposed Acquisitions, members of the CFE Group, as subsidiaries of CIMC, will be able to utilize the centralized financing management platform of the CIMC Group and obtain intra-group financings at lower financing costs.

The CFE Group's earnings per share for the year ended 31 December 2016 was approximately HK$0.499 cent. Assuming both the Pteris Completion and TianDa Completion had taken place on 1 January 2016, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated net profit attributable to the owners of the Enlarged Group for the year ended 31 December 2016 would have been approximately RMB87.8 million. Assuming that all Consideration Shares had been issued and all Convertible Bonds had been converted as at 1 January 2016, CFE Group would have had approximately 18,277 million Shares in issue, the earnings per share of the Enlarged Group would have been approximately HK$0.565 cent (assuming the exchange rate HK$1: RMB0.85).

(iv) The financial information (e.g. net profits and net assets value) of a number of comparable companies listed on the PRC and overseas stock exchanges

In determining the consideration for the Proposed Acquisitions, comparison was also made between the financial information (e.g. net profits and net assets value) and financial ratios of the Pteris Group and other comparable companies, including major passenger boarding bridge suppliers, logistics integration suppliers, airport ground supporting equipment suppliers, automated warehouses and materials handling systems suppliers and airport maintenance services providers which are listed on the PRC or overseas stock exchanges, such as John Bean Technologies Corporation. According to Frost & Sullivan, John Bean Technologies Corporation is one of Pteris Group's main competitors in the passenger boarding bridges market, which is also engaged in the passenger boarding bridges business and has a market capitalization of approximately US$3.7 billion (equivalent to approximately HK$29 billion) as at 1 December 2017 with net profit before tax of approximately US$93,600,000 (equivalent to approximately HK$730,080,000) for the year ended 31 December 2016 and net assets value of approximately US$430,300,000 (equivalent to approximately HK$3,356,340,000) as at 30 September 2017, whereas the net profit before tax of Pteris for the year ended 31 December 2016 was approximately RMB131,574,000 (equivalent to approximately HK$154,792,941) and its net assets value was approximately RMB1,340,000,000 (equivalent to approximately HK$1,576,470,588) as at 30 September 2017.

Note: Based on the exchange rate of US$1.00:HK$7.8 and RMB0.85:HK$1.00.

(v) The earnings multiples of precedent transactions, including P/E ratio, relating to the acquisition of companies engaging in similar businesses to that of the businesses engaged by the Pteris Group

Reference was also made to the earnings multiples, including price-earnings ratios and enterprise value to EBITDA ratios, of precedent transactions in international markets involving the acquisitions of companies engaging in the supply of materials handling automation system, supplier chain technology systems and package and baggage handling systems during the period from 2012 to 2017. For example, the Company has reviewed the acquisition of Vanderlande Industries by Toyota Industries and the acquisition of Kuka AG by Midea which have an average price-earnings ratio of 39.4, whereas the price-earnings ratio of Pteris is 53.4 in the Proposed Pteris Acquisition. Assuming the completion of the Proposed Acquisitions, the price-earnings ratio of the Proposed Acquisitions is approximately 39.6. According to Frost & Sullivan, Vanderlande Industries and Kuka AG are Pteris Group's main competitors in the materials handling system market.

The original cost for acquiring approximately 78.15% of the issued share capital of Pteris incurred by Sharp Vision was approximately RMB955 million, mainly involving the following steps:

Date of Transaction	% of Interest Held in Pteris after the Transaction	Consideration	RMB equivalent	Description of Transaction
August 2012	14.99%	SGD15,000,000	RMB73,012,500	Capital increase in Pteris settled in cash
August 2014	51.32% (increase of 36.33%)	SGD96,303,000	RMB486,331,000	Consideration for the capital increase in Pteris was settled by Sharp Vision through the disposal of 70% interest in TianDa by China International Marine Containers (Hong Kong) Limited, the parent company of Sharp Vision and a wholly-owned subsidiary of CIMC
September 2016	78.15% (increase of 26.83%)	HK$472,720,265	RMB395,666,861	Consideration mainly attributable to the voluntary general offer by Sharp Vision for all the issued shares of Pteris (other than those held by TGM) settled in cash
Total			RMB955,010,361	

The original cost incurred by Sharp Vision for acquisition of 78.15% of the issued share capital of Pteris represents an approximately 68% discount to the consideration under the Proposed Pteris Acquisition to the original cost incurred by Sharp Vision. The significant difference between the consideration of the Proposed Pteris Acquisition and the original cost of acquisition is justified because of the transformation of Pteris after the original acquisition by Sharp Vision as further described below:

(i) In 2012, before CIMC first made its investment in Pteris, Pteris was in dire financial conditions, as it was operating at substantial losses with limited capital inflows. In particular, for the year ended 31 December 2012, the revenue of Pteris was only SGD65.67 million and the net loss amounted to SGD29.59 million per the audited consolidated financial statements of Pteris prepared in accordance with Singapore Financial Reporting Standard for the relevant years. The loss was expected to increase substantially for 2013-2014. Such major losses resulted in the Pteris Group being unable to obtain additional trade financing and bank facilities to support its overseas projects and ongoing working capital requirements. Through CIMC's investment in 2012 and 2013, and leveraging CIMC's close relationship with financial institutions, Pteris was gradually able to obtain financing and improve its financial conditions and operating performance. By 2016, Pteris has become a multinational corporation with solid financial conditions and strong operating performance in various geographical regions. For the year ended 31 December 2016, Pteris achieved revenue of approximately RMB1,522.8 million and net profit after tax of approximately RMB111.8 million per the audited consolidated financial statements of Pteris prepared in accordance with HKFRS for the relevant years.

(ii) Significant synergic effects and cost savings were realized after the acquisition of TianDa by Pteris in 2014, which also facilitated Pteris' expansion of sales and operations in the PRC market.

(iii) Leveraging the financial support and global network of CIMC, Pteris has conducted major acquisitions of quality overseas assets since 2012, which further expanded its scale of operations and improved its development potential.

(iv) Since 2012, with substantial investments made by CIMC and leveraging CIMC's expertise, marketing and distribution channels and technological know-how, Pteris expanded its product and services offerings from baggage handling system to passenger boarding bridges, ground support equipment, materials handling system, platform vehicles, catering trolleys and various other core airport facilities and components.

Therefore, the CFE Directors (including the non-executive directors and independent non-executive directors of CFE who have given their opinion in the sections headed "Letter from the Independent Board Committee" and "Letter from the Whitewash Waiver Board Committee" of this circular after taking into consideration the advice of the CFE Independent Financial Adviser) are of the view that the consideration for the Proposed Acquisitions is fair and reasonable.

The issue price of the Consideration Shares and the initial Conversion Price of the Convertible Bonds shall be HK$0.366 per Share. For more details, please refer to the sub-sections headed "(1) Proposed Issuance of Consideration Shares" and "(2) Proposed Issuance of Convertible Bonds" in the section headed "Part B: Proposed Issuance of Consideration Shares, Convertible Bonds, Conversion Shares and Subscription Shares" of "Letter from the Board" in this circular.

(4) Information on the Relevant Parties

Wang Sing

Wang Sing is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CFE. Wang Sing is an investment holding company.

CFE

CFE 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 CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment.

As at the Latest Practicable Date, (i) Top Gear (a wholly-owned subsidiary of CIMC) is the controlling shareholder of CFE which holds approximately 30.0% of the total issued share capital of CFE; and (ii) Mr. Jiang Xiong is a substantial shareholder of CFE who holds approximately 24.07% of the total issued share capital of CFE. Pursuant to a ruling of the Executive dated 19 May 2015, the class (1) presumption in the definition of "acting in concert" that arises between Top Gear on the one hand and Mr. Jiang Xiong and Mr. Jiang Qing (the elder brother of Mr. Jiang Xiong) on the other hand was rebutted. Accordingly, Mr. Jiang Xiong is not a member of the CIMC Concert Group.

Upon completion of the Proposed Pteris Acquisition and/or the Proposed TianDa Acquisition, CIMC will remain as the indirect controlling shareholder of CFE (as defined under the Listing Rules) and no change of control of CFE will be resulted therefrom.

Sharp Vision

Sharp Vision, a company incorporated in Hong Kong with limited liability, is an investment holding company and an indirect wholly-owned subsidiary of CIMC.

Fengqiang

Fengqiang, a company incorporated in the British Virgin Island with limited liability, is wholly-owned by TGM, a company established in the PRC which is in turn owned by the employees of the Pteris Group. Fengqiang is an investment holding company. As at the Latest Practicable Date, Mr. Zheng Zu Hua and Mr. Luan You Jun, each being an executive director of CFE, hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively.

Other than Mr. Zheng Zu Hua and Mr. Luan You Jun, as at the Latest Practicable Date, other shareholders of TGM comprise the labour union of TianDa (who holds the shares on trust for the benefit of employees of Pteris) and approximately 40 other individuals who are the key management personnel or technical personnel of Pteris Group. None of the other individual shareholders of TGM hold more than 5% of the total issued share capital of TGM.

As Fengqiang owns over 20% of Pteris which is a subsidiary of CIMC, Fengqiang is presumed to be acting in concert with CIMC as at the Latest Practicable Date. After the Pteris Completion, Fengqiang no longer controls 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC. Therefore, Fengqiang will no longer be a member of the CIMC Concert Group.

Lucky Rich

Lucky Rich, a company incorporated in Samoa with limited liability, is an investment holding company.

As Lucky Rich owns over 20% of TianDa which is a subsidiary of CIMC, Lucky Rich is presumed to be acting in concert with CIMC as at the Latest Practicable Date. After the TianDa Completion, Lucky Rich no longer controls 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC. Therefore, Lucky Rich will no longer be a member of the CIMC Concert Group.

Save for Mr. Zheng Zu Hua and Mr. Luan You Jun (each being an executive director of CFE and who holds minority interest in TGM as described above), each of Fengqiang, TGM, Lucky Rich and their respective ultimate beneficial owners is a third party independent of CFE and its connected persons. As at the Latest Practicable Date, each of Mr. Zheng Zu Hua and Mr. Luan You Jun does not hold shares in CFE.

(5) Reasons for and Benefits of the Proposed Acquisitions for CFE

The directors of CFE are of the view that the Proposed Acquisitions are in the interests of CFE and the CFE Shareholders as a whole for the following reasons:

(a) The Proposed Acquisitions would allow the CFE Group to realize potential synergies through the sharing of technical know-how, supplier base, research and development resources and marketing channels with the Pteris Group, which would reduce the overall operation costs of the CFE Group.

- ***Reduction of costs of labor, manufacturing and management***. The Company expects that after completion of the Proposed Acquisitions, the operation costs of the Enlarged Group in respect of labor, manufacturing and management can be reduced, after taking into account various factors such as the expected order size of the Pteris Group in Western China, the estimated reduction in distribution costs, expenses on employee salaries and welfare and management and manufacturing expenses as a result of the higher manufacturing and management efficiency as further explained below:

    - the Pteris Group could utilize the factories of the Group in Sichuan Province for the manufacturing of its products ordered by customers in Western China, which is a populous region with lower labor costs compared to many other regions in the PRC, and thereby reducing the labour costs of the Enlarged Group;

  - the Group could share the after-sale networks of the Pteris Group, which has more than 50 service stations in the PRC and 18 services stations overseas, and thereby reducing its storage costs, assembly costs, transportation costs, management costs and labor costs;

  - the Group and the Pteris Group can share logistic services providers, being the major distribution channel of both the Group and the Pteris Group, thereby further reducing the operation costs; and

  - after the proposed introduction of advanced management systems of the Pteris Group (as further explained below), the manufacturing and management efficiency of the Group is expected to be improved, which may in turn reduce its operation costs.

- ***Sharing of supplier base***. Although the Group and the Pteris Group had no overlapping suppliers historically, the raw materials and product components required by the Group and the Pteris Group are similar. For example, the main raw materials of both the Group and the Pteris Group are steel and aluminum alloy, and both the Group and the Pteris Group are in demand for product components such as vehicle chassis, hydraulic pressure system, power-generating machines, oil paint and glasses.

  Therefore, the Group and the Pteris Group could potentially share their supplier base. After completion of the Proposed Acquisitions, the Group and the Pteris Group intend to fully explore the possibility of bulk purchase and leverage the strong bargaining power of the Pteris Group to negotiate lower purchase price, and thereby reduce the procurement costs of the Enlarged Group.

- ***Sharing of marketing resources***. The Group and the Pteris Group could share marketing channels (e.g. by jointly organizing exhibitions, launching advertisements and other marketing events) and marketing personnel to further reduce marketing costs of the Enlarged Group after completion of the Proposed Acquisitions.

- ***Sharing of technical know-how and R&D resources***. The Proposed Acquisitions would allow the Group to realize potential synergies through sharing of the technical know-how of the Pteris Group. In particular, the Pteris Group could license the Group to use the patents owned by the Pteris Group in respect of, among other things, the hydraulic pressure systems and components, electric generating systems, safety control systems and telescopic technology, all of which are important to the design and manufacture of fire engines. For example, the Group could utilize the abovementioned patents owned by the Pteris Group to improve the quality and safety of, among other things, the slewing bearing, revolving stage, cable hydraulic transmission system, elevated platforms and electric generating systems of its fire engines, thereby improving the overall quality and sales of its products. It is expected that the Group's production efficiency and product quality can be substantially increased, which will in turn result in an increase in market share of the Group.

In addition, as many components required for the products of the Group and the Pteris Group are similar, the Group could also utilize the laboratory, research and development equipment and staff of the Pteris Group in developing various components of fire engines, such as mechanical drive systems, electrical sensing system, control mechanism, pressure transmission system and liquid flow system. Therefore, the Company expects that the research & development costs of the Enlarged Group can be reduced significantly after completion of the Proposed Acquisitions.

- ***Introduction of advanced and systematic management system to the Group to enhance operational efficiency***. The Pteris Group has adopted advanced and systematic management systems, including the "ONE" management system (which stands for optimization never ends), which are a series of management methodologies that aim to improve overall operational efficiency through, among other things, talent development, clear work allocation, standardization of manufacturing process and stringent quality control; and (ii) the modular management model (模塊化管理模式), which aims to improve manufacturing efficiency and product quality by reorganizing the work flow of product design, raw materials, procurement, product manufacturing and assembling in a systematic way.

  The management team of the Pteris Group has developed unique expertise and extensive experience during the Pteris Group's implementation of the abovementioned management systems, which has enabled the Pteris Group to significantly improve the key performance indicators for operational efficiency such as product design cycle, assembly efficiency and defective products rate. Accordingly, with a view to improving the overall operational efficiency of the Enlarged Group, after completion of the Proposed Acquisitions, it is proposed that the management team of the Pteris Group will guide the Group's management personnel in the implementation of the abovementioned management systems.

(b) Leveraging the close relationship between the Pteris Group and a large number of airport operators worldwide and the Pteris Group's wide service network and storage of product components, the CFE Group will be able to potentially expand its customer base in the PRC and new geographical regions, and obtain strong support in marketing and distribution of the CFE Group's advanced firefighting vehicles in the PRC and new geographical regions.

- ***Development of the Group's PRC airport fire engine business***. Airport fire engine has been one of the most profitable products of the Group during the Period Under Review, and the Company expects that the market demand for airport fire engines in the PRC will increase steadily in the next few years in light of the fast growing civil aviation transportation industry in the PRC and the expected large number of new civilian airports. Therefore, it is the Group's strategy to expand its production and sale of airport fire engine business, which is expected to improve the overall profitability of the Group in the long term.

The Pteris Group is one of the leading airport logistics solution providers and integrators in the world with a strong market presence in the PRC. As at the Latest Practicable Date, the Pteris Group had business relationship with approximately 52 PRC airport operators, 50 of which are not existing customers of the Group but could potentially become customers of the Group. The close relationship between the Pteris Group and such PRC airport operators will facilitate the expansion of the Group's customer base and development of its airport fire engine business.

- ***Expansion of the Group's airport fire engine business into suitable overseas markets***. As at the Latest Practicable Date, the Pteris Group had business relationships with 51, 29 and 16 airport operators in developing countries or regions in Asia (excluding the PRC), Africa and South America, respectively, all of which have demand for less expensive airport fire engines and could therefore become potential target markets of the Group. By leveraging the business relationship between the Pteris Group and such overseas airport operators, the Group may be able to expand its business operations into such suitable overseas markets in the long term.

(c) As CFE will become a non-wholly owned subsidiary of CIMC after completion of the Proposed Acquisitions, the CFE Group will further benefit from the extensive marketing and sales networks of the CIMC Group, which will facilitate the CFE Group's further expansion of its market coverage.

- ***Sharing of marketing channels***. As stated above, the Group and the Pteris Group could share marketing channels (e.g. by jointly organizing exhibitions, launching advertisements and other marketing events) and marketing personnel to further reduce marketing costs of the Enlarged Group after completion of the Proposed Acquisitions.

- ***Sharing of sales network***. The Pteris Group (especially through the TianDa Group) has significant market share, strong customer base and extensive sales network in the PRC, which will facilitate the Group's further expansion of its business in the PRC. In addition, as stated above, the Group could share the after-sales networks of the Pteris Group, which has more than 50 service stations in the PRC and 18 service stations overseas, and thereby reducing its storage costs, assembly costs, transportation costs, management costs and labor costs.

(d) After completion of the Proposed Acquisitions, the CFE Group will also be able to utilize the centralized financing management platform of the CIMC Group and obtain intra-group financings at lower costs.

- After completion of the Proposed Acquisitions, the Group will become a subsidiary of CIMC. Accordingly, despite the Group's record of fundraising without credit support from members of the CIMC Group (including the Pteris Group) and its ability to finance its operations through internally generated working capital and external borrowings, after completion of the Proposed Acquisitions, the Group can benefit from the financing resources of the CIMC Group by utilizing its centralized financing management platform and obtaining intra-group financings and financings from major commercial banks by leveraging the CIMC Group's strong market standing, creditworthiness and financial position.

- In particular, CIMC Finance, a wholly-owned subsidiary of CIMC, is a finance company established for the provision of financial services to members of the CIMC Group pursuant to applicable PRC laws, including, among other things, providing loans to and receiving deposits from members of the CIMC Group. CIMC Finance generally offers interest rate on borrowings that is 20% to 30% lower than market interest rate and interest rates on deposits in Renminbi and US dolloars that are 50% to 100% higher than market interest rate to subsidiaries of CIMC. However, being an internal finance company and the treasury centre of the CIMC Group, CIMC Finance is only allowed to provide financial services to subsidiaries of CIMC pursuant to the relevant PRC laws. Accordingly, after completion of the Proposed Acquisitions, the Group will be able to obtain intra-group financings from CIMC Group at lower costs.

(6) Confirmations of the Directors of CFE

Each of Dr. Li Yin Hui, Mr. Luan You Jun, Mr. Zheng Zu Hua and Mr. Yu Yu Qun is a director of CFE nominated by CIMC, the indirect controlling shareholder of CFE. Mr. Zheng Zu Hua and Mr. Luan You Jun also holds a minority equity interest in TGM as at the Latest Practicable Date as stated above. Accordingly, Dr. Li Yin Hui, Mr. Luan You Jun, Mr. Zheng Zu Hua and Mr. Yu Yu Qun have abstained from voting on the relevant resolutions of the CFE Board approving the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Subscription, the Specific Mandate, the Whitewash Waiver and the Special Deal. Save as aforementioned, none of the other directors of CFE has a material interest in the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Subscription, the Specific Mandate, the Whitewash Waiver and the Special Deal and hence no other director of CFE has abstained from voting on the relevant board resolutions.

(7) Implications under the Listing Rules for CFE

As the highest applicable percentage ratio in respect of the Proposed Acquisitions, on an aggregated basis, exceeds 100%, the transactions contemplated under the Sale and Purchase Agreements constitute a very substantial acquisition for CFE under Chapter 14 of the Listing Rules, which is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Sharp Vision is a wholly-owned subsidiary of CIMC (the indirect controlling shareholder of CFE) and is therefore a connected person of CFE, and the Proposed Pteris Acquisition constitutes a connected transaction for CFE. As the highest applicable percentage ratio in respect of the Proposed Pteris Acquisition exceeds 5%, the Proposed Pteris Acquisition is subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(8) Information on the Target Companies

Pteris

Pteris is a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of CIMC. 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. The principal assets of the Pteris Group include: (i) its 70% equity interest in TianDa, which is the principal operating subsidiary of Pteris in the business of passenger boarding bridges (including bridges related business); and (ii) its baggage and material handling business and ground support equipment business. The Pteris Group's ground support equipment business includes design and manufacture of airport shuttle bus, catering truck, airport platform vehicle.

As at the Latest Practicable Date, Pteris is directly owned by Sharp Vision and Fengqiang as to approximately 78.15% and 21.26%, respectively. The remaining 0.59% is held by approximately 450 individuals and companies who had not accepted the voluntary general offer for the issued shares of Pteris (which was then listed on the Singapore Exchange Securities Trading Limited) made by Sharp Vision upon close of the offer in September 2016.

A summary of certain audited financial information of the Pteris Group for the two financial years ended 31 December 2016 and the nine months ended 30 September 2017 prepared in accordance with HKFRS is set out below:

Pteris Group:

	For the financial year ended 31 December		**For the nine months ended 30 September**	
	2015	**2016**	**2016**	**2017**
	(Note 1)	*(Note 2)*	*(Note 3)* (unaudited)	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,565,874	1,522,790	643,381	691,611
Net profit/(loss) before tax	100,246	131,574	(37,731)	(6,286)
Net profit/(loss) after tax	84,075	111,790	(37,839)	(7,553)

	As at 31 December		**As at 30 September**	
	2015	**2016**	**2016**	**2017**
	(Note 1)	*(Note 2)*	*(Note 3)* (unaudited)	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net asset value	1,158,486	1,307,105	1,169,843	1,339,997

Notes:

(1) Based on the exchange rate of SGD:RMB: 1:4.5875 published by the People's Bank of China on 31 December 2015.

(2) Based on the exchange rate of SGD:RMB: 1:4.7995 published by the People's Bank of China on 30 December 2016.

(3) Based on the exchange rate of SGD:RMB: 1:4.8894 published by the People's Bank of China on 30 September 2016.

(4) Based on the exchange rate of SGD:RMB: 1:4.8920 published by the People's Bank of China on 29 September 2017.

TianDa

TianDa is a company established in the PRC with limited liability and a non-wholly owned subsidiary of Pteris. TianDa Group is principally engaged in the design and manufacture of passenger boarding bridges, ground support equipment. The TianDa Group's ground support equipment business includes design and manufacture of apron bus.

As at the Latest Practicable Date, TianDa was directly owned by Pteris and Lucky Rich as to 70% and 30%, respectively.

A summary of certain audited financial information of the TianDa Group for the two financial years ended 31 December 2016 and the nine months ended 30 September 2017 prepared in accordance with HKFRS is set out below:

TianDa Group:

	For the financial year ended 31 December		**For the nine months ended 30 September**	
	2015	**2016**	**2016**	**2017**
			(unaudited)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,125,928	1,134,165	385,410	409,728
Net profit/(loss) before tax	111,181	147,827	8,510	(14,302)
Net profit/(loss) after tax	96,824	130,146	10,129	(11,296)

	As at 31 December		**As at 30 September**	
	2015	**2016**	**2016**	**2017**
			(unaudited)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net asset value	600,642	730,788	610,771	745,005

(9) Financial Information of the CFE Group

A summary of certain audited financial information of the CFE Group for the two financial years ended 31 December 2016 and nine months ended 30 September 2017 prepared in accordance with HKFRS is set out below:

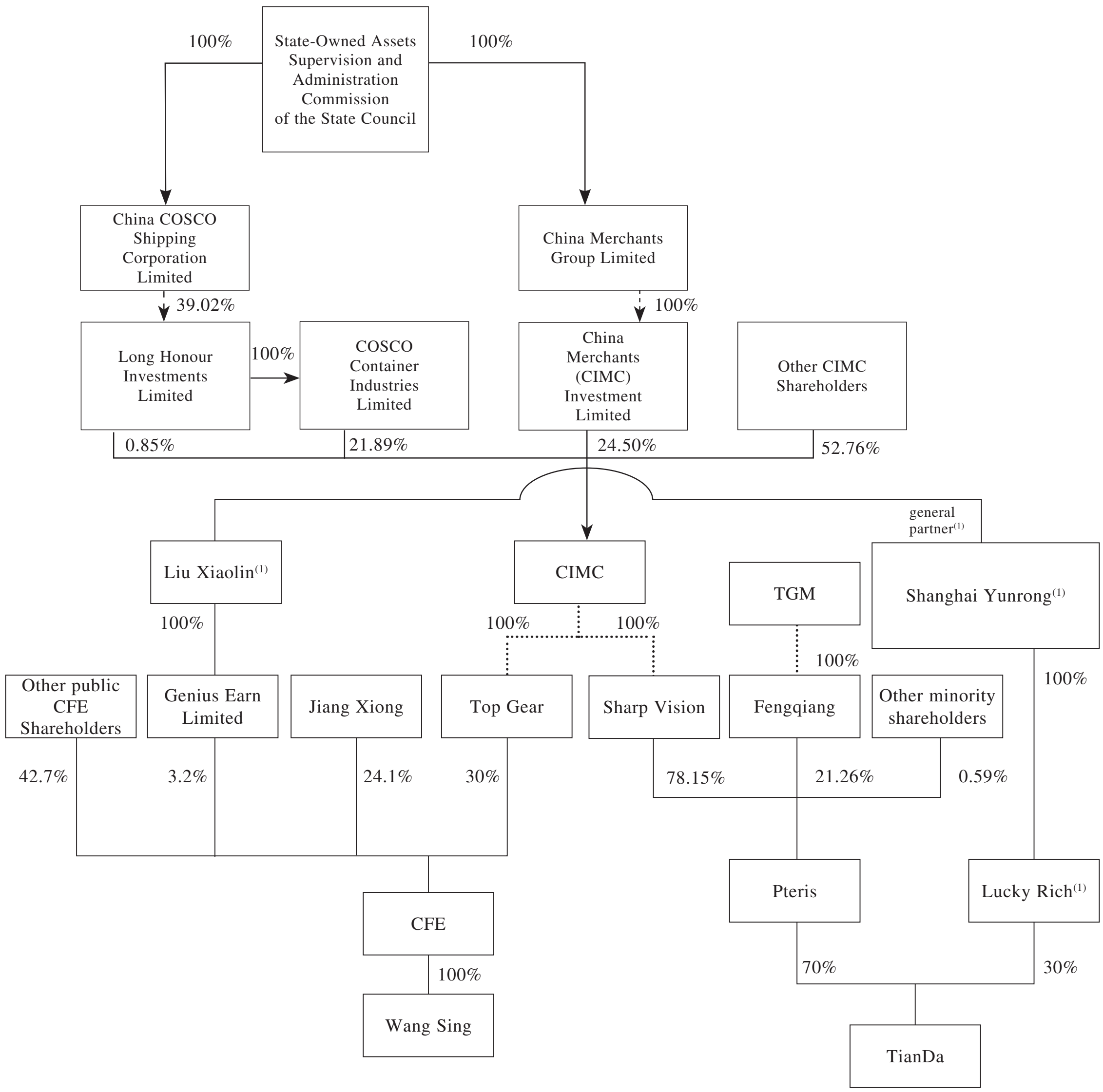
CFE Group:

	For the financial year ended 31 December		**For the nine months ended 30 September**	
	2015	**2016**	**2016**	**2017**
			(unaudited)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	565,178	471,252	335,621	323,997
Net profit before tax	51,165	24,872	8,301	24,119
Net profit after tax	30,444	17,286	2,159	18,170

	As at 31 December		**As at 30 September**	
	2015	**2016**	**2016**	**2017**
			(unaudited)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net asset value	1,006,587	1,052,999	1,020,244	1,111,145

(10) Shareholding Structure of CFE, Pteris and TianDa

(a) Simplified Shareholding Structure of the CFE Group and CIMC Group as at the Latest Practicable Date

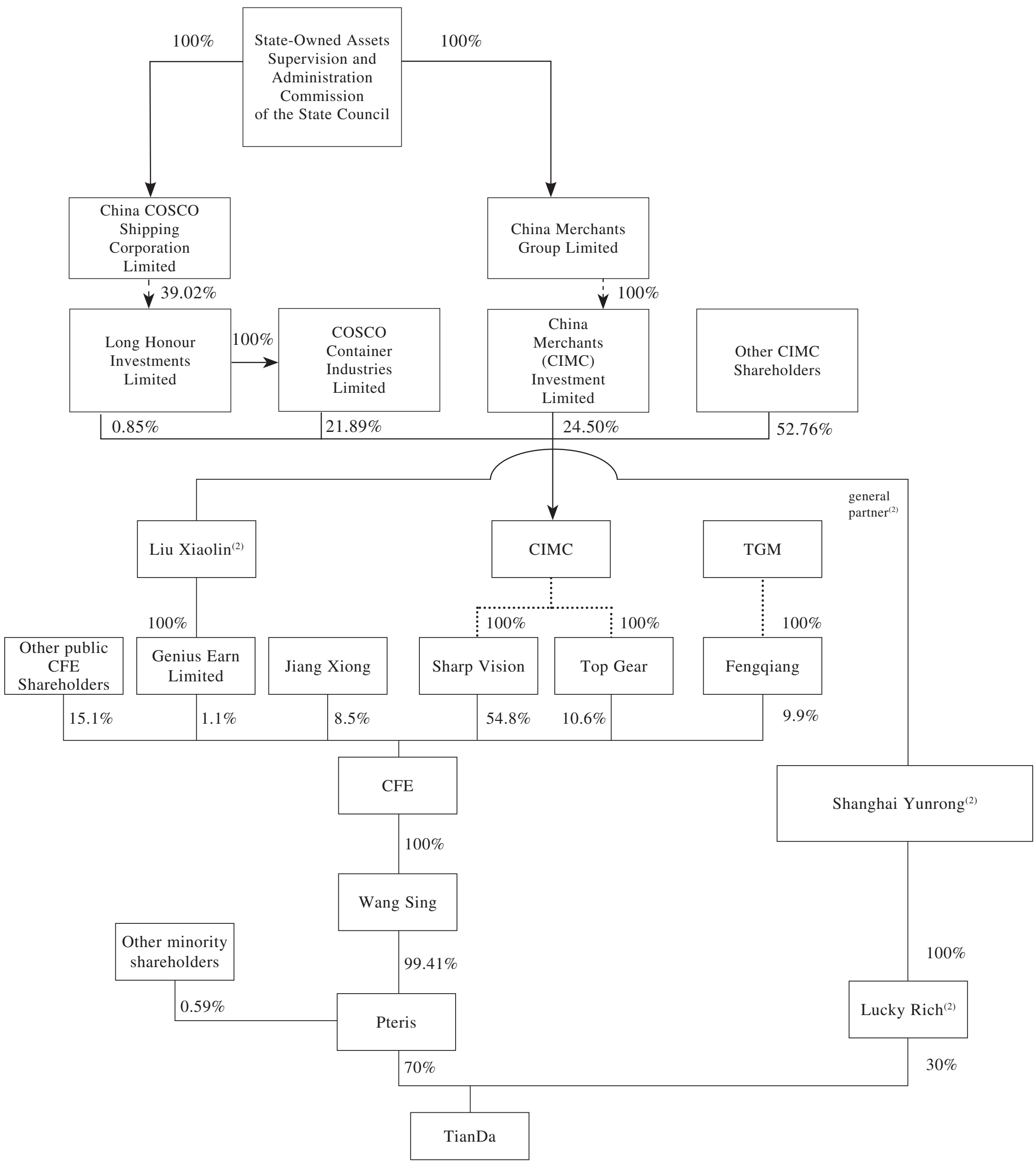


Notes:

(1) Mr. Liu Xiaolin is the sole shareholder of one of the two general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich.

(2) Dotted line denotes indirect shareholding.

(b) Simplified Shareholding Structure of the CFE Group and CIMC Group upon the Pteris Completion (assuming no TianDa Completion)[1]



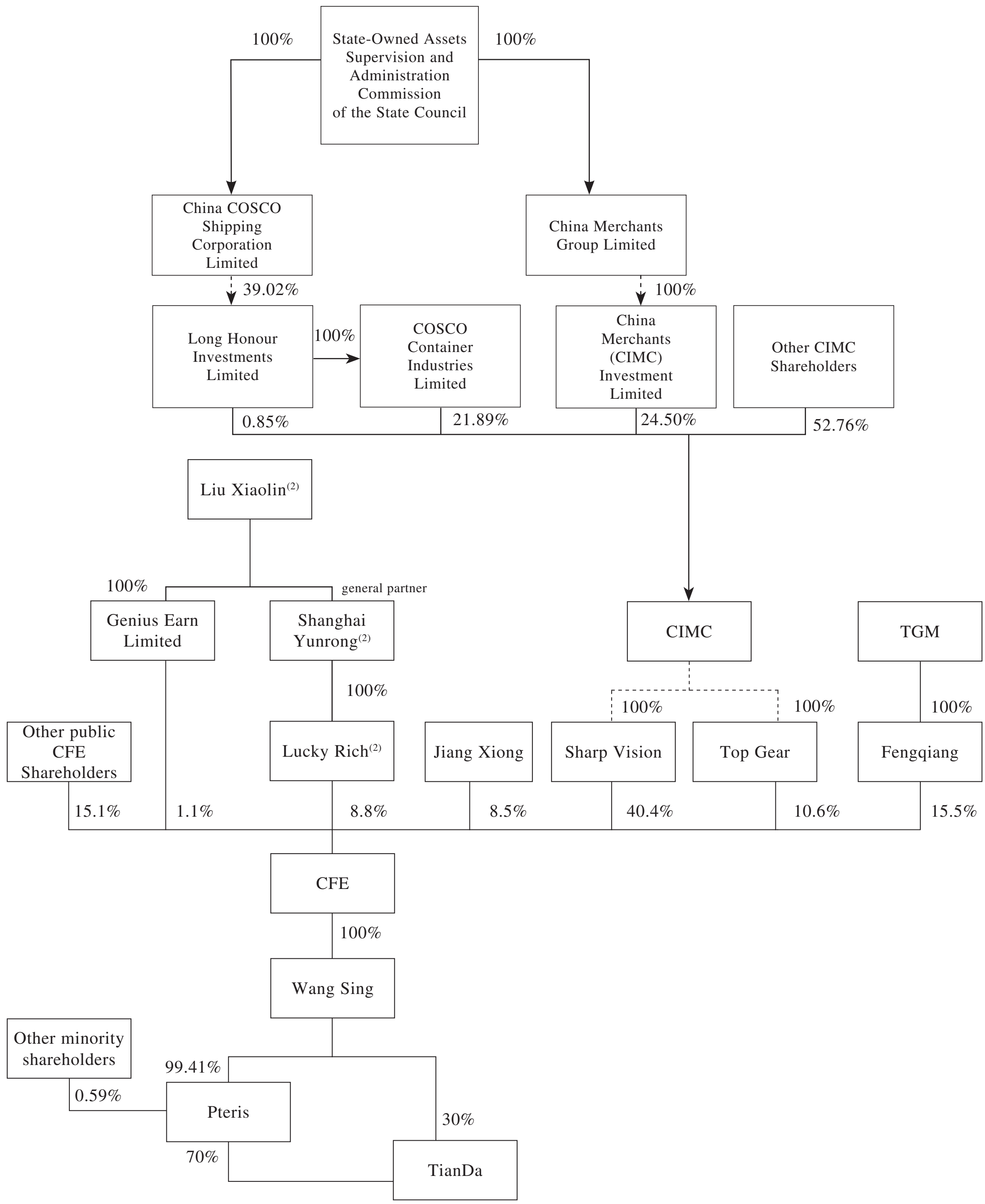
Notes:

(1) The above shareholding structure is based on the assumption that none of the Convertible Bonds to be issued under the Proposed Pteris Acquisition are converted and none of the outstanding CFE Share Options are exercised.

(2) Mr. Liu Xiaolin is the sole shareholder of one of the two general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich.

(3) Dotted line denotes indirect shareholding.

(c) Simplified Shareholding Structure of the CFE Group and CIMC Group upon the Pteris Completion and the TianDa Completion[(1)]



Notes:

(1) The above shareholding structure is based on the assumption that none of the Convertible Bonds to be issued under the Proposed Pteris Acquisition and the Proposed TianDa Acquisition are converted and none of the outstanding CFE Share Options are exercised.

(2) Mr. Liu Xiaolin is the sole shareholder of one of the two general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich.

(3) Dotted line denotes indirect shareholding.

PART B: PROPOSED ISSUE OF CONSIDERATION SHARES, CONVERTIBLE BONDS, CONVERSION SHARES AND SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE

Pursuant to the Sale and Purchase Agreements (assuming both the Pteris Completion and the TianDa Completion take place), CFE will issue up to a total of 7,470,108,040 Consideration Shares and Convertible Bonds in the aggregate principal amount of up to RMB2,093,133,694 to the Vendors (or their respective nominee(s)). Under this scenario, the maximum number of Conversion Shares to be issued under the Convertible Bonds are 6,728,170,020 Shares, including the Proposed Conversion Shares of 1,500,000,000 to be issued to Sharp Vision under the Proposed Conversion.

Pursuant to the Pteris Sale and Purchase Agreement (assuming the TianDa Completion does not take place and only the Pteris Completion takes place), CFE will issue up to 7,470,108,040 Consideration Shares and Convertible Bonds in the principal amount of up to RMB1,482,580,105 to the Pteris Vendors (or their respective nominee(s)). Under this scenario, the maximum number of Conversion Shares to be issued under the Convertible Bonds are 4,765,606,250 Shares.

Sharp Vision proposes to conduct the Proposed Conversion immediately or shortly after the Pteris Completion and convert the Convertible Bonds in the principal amount of RMB466,650,000 in accordance with the terms of the Convertible Bonds. Under the Proposed Conversion, 1,500,000,000 Conversion Shares will be issued to Sharp Vision at the same time as or immediately after the Subscription Completion.

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 Subscription Shares at the Subscription Price of HK$0.366 per Subscription Share.

CFE will seek the Specific Mandate from the Independent CFE Shareholders to issue the Consideration Shares, the Convertible Bonds, the Conversion Shares and the Subscription Shares. Application will be made by CFE to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares, the Convertible Bonds, the Conversion Shares and the Subscription Shares.

(1) Proposed Issuance of Consideration Shares

The Consideration Shares will be issued fully paid and will rank *pari passu* in all respects with the CFE Shares in issue at the date of completion of the Proposed Acquisitions, save in respect of any distribution or other corporate action the record date for which falls before the date of completion of the Proposed Acquisitions.

The issue price per Consideration Share and Conversion Price of HK$0.366 represents:

(i) a discount of approximately 20.4% to HK$0.46, the closing price of the CFE Shares on the Stock Exchange on 1 December 2017, being the last trading day prior to the Joint Announcement;

(ii) a discount of approximately 6.2% to HK$0.39, the closing price of the CFE Shares on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last five trading days prior to the date of the Joint Announcement;

(iv) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last ten trading days prior to the date of the Joint Announcement;

(v) a discount of approximately 14.9% to HK$0.43, the average closing price of the CFE Shares on the Stock Exchange for the last 30 trading days prior to the date of the Joint Announcement;

(vi) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last 60 trading days prior to the date of the Joint Announcement;

(vii) a premium of approximately 20.39% over the audited net assets value per Share of approximately HK$0.304, calculated based on the audited equity attributable to the owners of the Company of approximately RMB1,053 million as at 31 December 2016; and

(viii) a premium of approximately 14.19% over the audited net asset value per Share of approximately HK$0.321, calculated based on the equity attributable to the owners of the Company approximately RMB1,111.1 million as at 30 September 2017.

The price at which the Consideration Shares are to be issued and the initial Conversion Price were determined based on arm's length negotiation among CFE, the Pteris Vendors and Lucky Rich with reference to, among other things, (i) the historical market price of the CFE Shares and fluctuation thereof since early 2017 when the negotiation on terms of the Sale and Purchase Agreements first started; (ii) acquisitions of business or assets by other listed companies that involve the issuance of consideration shares, which often involve a discount to the recent trading prices; (iii) the relatively high price-earnings ratio of the Consideration Shares as compared to the identifiable comparable companies listed on other stock exchanges that are engaged in comparable business of CFE which provides justification for the discount of the issue price to the market price of the CFE Shares. For example, the Company has identified comparable companies such as Rosenbauer International, Oshkosh Corporation, Spartan Motors, Morita Holdings, Nohimi Bosai and Hochiki Corporation, which have an average historical price-earnings ratio of 29.83 for the year 2016 (which was calculated with reference to the market capitalization of such listed companies as at 1 December 2017 and their respective earnings as stated in the audited financial information for the year ended 31 December 2016), whereas the historical price-earnings ratio of the Consideration Shares for the year ended 31 December 2016 (which was calculated with reference to the issue price of the Consideration Shares and the earnings of the Company as stated in the audited financial information of the Company for the year ended 31 December 2016, is approximately 73.3.

In light of the above, the CFE Directors consider the issue price of the Consideration Shares and the initial Conversion Price are fair and reasonable.

(2) Proposed Issuance of Convertible Bonds

A summary of the principal terms and conditions of the Convertible Bonds is set out below:

Issuer	:	CFE
Principal Amount	:	Up to RMB2,093,133,694, details of which are set out below: (i) RMB1,482,580,105 as part of the consideration for the Proposed Pteris Acquisition (assuming the TianDa Completion does not take place); or RMB1,798,246,888 as part of the consideration for the Proposed Pteris Acquisition (assuming the TianDa Completion takes place); and (ii) RMB294,886,806 as part of the consideration for the Proposed TianDa Acquisition
Maturity Date	:	30th anniversary of the issue date
Interest	:	The Convertible Bonds bear interest from and including the issue date at the rate of 0.1% per annum, payable annually in arrear on each anniversary from the issue date. After the conversion rights of the Convertible Bonds have been exercised or such Convertible Bond is redeemed pursuant to the terms and conditions of the Convertible Bonds, each Convertible Bond will not bear any interest.
Status	:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the CFE and shall at all times rank *pari passu* and without any preference or priority among themselves.
Transferability	:	All Convertible Bonds are transferable, except where any Convertible Bonds is intended to be transferred to a connected person of CFE, such transfer shall be subject to the written consent of CFE and comply with the requirements of the Listing Rules.
Conversion Period	:	Subject to certain conditions, each Bondholder has the right to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of RMB10,000,000 or the whole outstanding principal amount of the Convertible Bonds) into CFE Shares credited as fully paid at any time during the period from the issue date to the maturity date.

Conversion Price	:	The initial Conversion Price is HK$0.366, which is subject to adjustment upon the occurrence of consolidation, subdivision or reclassification of CFE Shares. If and whenever there shall be an alteration to the nominal value of the CFE Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction: $\frac{A}{B}$ where: A is the nominal amount of one CFE Share immediately after such alteration; and B is the nominal amount of one CFE Share immediately before such alteration. Such adjustment shall become effective on the date when the alteration takes effect. The number of CFE Shares to be issued on conversion of a Convertible Bond will be determined by dividing the HK$ equivalent of the RMB principal amount of the Convertible Bond to be converted (at the agreed fixed exchange rate of HK$1: RMB0.85) by the Conversion Price in effect on the conversion date.
Restriction on Conversion Rights	:	No conversion shall take place if (i) immediately after such conversion, the public float of CFE Shares will fall below the minimum public float of stipulated under the Listing Rules or as required by the Stock Exchange; or (ii) (unless otherwise agreed in writing by CFE) if, as result of such conversion, a mandatory offer obligation under Rule 26.1 of the Takeovers Code will be triggered.
Redemption at Maturity	:	Unless otherwise converted, purchased or cancelled in accordance with the terms and conditions of the Convertible Bonds, CFE will redeem each Convertible Bond at the HK$ dollar equivalent of the RMB principal amount (at the agreed fixed exchange rate of HK$1: RMB0.85), at the maturity date
Listing	:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

In the event that both the Pteris Completion and the TianDa Completion take place:

(i) the maximum number of Conversion Shares to be issued under the Convertible Bonds are 6,728,170,020 Shares, representing approximately 165.0% and 36.8%, respectively, of the issued share capital of the Company as at the Latest Practicable Date and the enlarged issued share capital of the Company (assuming no exercise of the CFE Share Options); and

(ii) the Consideration Shares represent approximately 183.2% and 64.7%, respectively, of the issued share capital of the Company as at the Latest Practicable Date and the enlarged issued share capital of the Company (assuming no conversion of Convertible Bonds and no exercise of CFE Share Options).

In the event only the Pteris Completion takes place and the TianDa Completion does not take place:

(i) the maximum number of Conversion Shares to be issued under the Convertible Bonds are 4,765,606,250 Shares, representing approximately 116.8% and 29.2%, respectively, of the issued share capital of the Company as at the Latest Practicable Date and the enlarged issued share capital of the Company; and

(ii) the Consideration Shares represent approximately 183.2% and 64.7%, respectively, of the issued share capital of the Company as at the Latest Practicable Date and the enlarged issued share capital of the Company (assuming no conversion of the Convertible Bonds).

(3) Effect of the Proposed Issue of the Consideration Shares and the Convertible Bonds on the Shareholding Structure of CFE

(a) The following table sets out the shareholding structure of CFE as at the Latest Practicable Date:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	30.0
	Sharp Vision#	–	–
2.	Jiang Xiong(5)	981,600,000	24.1
	Subtotal of non-public CFE Shareholders	**2,205,171,430**	**54.1**
Public CFE Shareholders			
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	3.2
	Lucky Rich (or its nominees)(1)#	–	–
4.	Fengqiang(2)#	–	–
5.	Other public CFE Shareholders	1,744,400,000	42.7
	Subtotal of public CFE Shareholders	**1,873,400,000**	**45.9**
Total		**4,078,571,430**	**100.0**

As at the Latest Practicable Date, members of the CIMC Concert Group (namely Top Gear, Sharp Vision, Genius Earn Limited, Lucky Rich and Fengqiang) held an aggregate of 1,352,571,430 Shares, representing approximately 33.2% of the issued share capital of CFE.

(b) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion, assuming (i) the TianDa Completion does not take place; (ii) none of the Convertible Bonds has been converted; and (iii) none of the CFE Share Options has been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	10.6
	Sharp Vision#	6,326,428,570	54.8
2.	Jiang Xiong	981,600,000	8.5
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	1.1
	Lucky Rich (or its nominees)(1)#	–	–
	Subtotal of non-public CFE Shareholders	**8,660,600,000**	**75.0**
Public CFE Shareholders			
4.	Fengqiang(2)	1,143,679,470	9.9
5.	Other public CFE Shareholders	1,744,400,000	15.1
	Subtotal of public CFE Shareholders	**2,888,079,470**	**25.0**
Total		**11,548,679,470**	**100.0**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and Lucky Rich) will hold an aggregate of 7,679,000,000 Shares, representing approximately 66.5% of the then issued share capital of CFE.

(c) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion, assuming (i) the TianDa Completion does not take place, (ii) none of the Convertible Bonds has been converted; and (iii) the CFE Share Options have been fully exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	10.5
	Sharp Vision#	6,326,428,570	54.2
2.	Jiang Xiong	985,600,000	8.5
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	1.1
	Lucky Rich (or its nominees)(1)#	–	–
4.	Directors of the CFE Group (other than Jiang Xiong)	65,625,000	0.6
	Subtotal of non-public CFE Shareholders	**8,730,225,000**	**74.9**
Public CFE Shareholders			
4.	Fengqiang(2)	1,143,679,470	9.8
5.	Other public CFE Shareholders	1,790,400,000	15.3
	Subtotal of public CFE Shareholders	**2,934,079,470**	**25.1**
Total		**11,664,304,470**	**100.0**

Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and Lucky Rich) will hold an aggregate of 7,679,000,000 Shares, representing approximately 65.8% of the then issued share capital of CFE.

(d) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion, assuming (i) the TianDa Completion does not take place; (ii) all the Convertible Bonds have been fully converted; and (iii) none of the CFE Share Options has been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	7.5
	Sharp Vision#	9,618,962,597	59.0
2.	Jiang Xiong	981,600,000	6.0
3.	Fengqiang(2)	2,616,751,693	16.0
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	0.8
	Lucky Rich (or its nominees)(1)#	–	–
	Subtotal of non-public CFE Shareholders	**14,569,885,720**	**89.3**
Public CFE Shareholders			
5.	Other public CFE Shareholders	1,744,400,000	10.7
	Subtotal of public CFE Shareholders	**1,744,400,000**	**10.7**
Total		**16,314,285,720**	**100.0**

Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and Lucky Rich) will hold an aggregate of 10,971,534,027 Shares, representing approximately 67.3% of the then issued share capital of CFE.

(e) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion, assuming (i) the TianDa Completion does not take place; (ii) all the Convertible Bonds have been fully converted; and (iii) all the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	7.4
	Sharp Vision#	9,618,962,597	58.5
2.	Jiang Xiong	985,600,000	6.0
3.	Fengqiang(2)	2,616,751,693	16.0
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	0.8
	Lucky Rich (or its nominees)(1)#	–	–
5.	Directors of the CFE Group (other than Jiang Xiong)	65,625,000	0.4
	Subtotal of non-public CFE Shareholders	**14,639,510,720**	**89.1**
Public CFE Shareholders			
6.	Other public CFE Shareholders	1,790,400,000	10.9
	Subtotal of public CFE Shareholders	**1,790,400,000**	**10.9**
Total		**16,429,910,720**	**100.0**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and Lucky Rich) will hold an aggregate of 10,971,534,027 Shares, representing approximately 66.7% of the then issued share capital of CFE.

(f) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion and the TianDa Completion, assuming (i) none of the Convertible Bonds has been converted; and (ii) none of the CFE Share Options has been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	10.6
	Sharp Vision#	4,664,472,279	40.4
2.	Fengqiang(2)	1,790,956,291	15.5
3.	Jiang Xiong	981,600,000	8.5
	Subtotal of non-public CFE Shareholders	**8,660,600,000**	**75.0**
Public CFE Shareholders			
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	1.1
	Lucky Rich (or its nominees)(1)	1,014,679,470	8.8
5.	Other public CFE Shareholders	1,744,400,000	15.1
	Subtotal of public CFE Shareholders	**2,888,079,470**	**25.0**
Total		**11,548,679,470**	**100.0**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear and Sharp Vision) will hold an aggregate of 5,888,043,709 Shares, representing approximately 51% of the then issued share capital of CFE.

(g) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion and the TianDa Completion, assuming (i) none of the Convertible Bonds have converted; and (ii) the CFE Share Options have been fully exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	10.5
	Sharp Vision#	4,664,472,279	40.0
2.	Fengqiang(2)	1,790,956,291	15.4
3.	Jiang Xiong	985,600,000	8.4
4.	Directors of the CFE Group (other than Jiang Xiong)	65,625,000	0.6
	Subtotal of non-public CFE Shareholders	**8,730,225,000**	**74.9**
Public CFE Shareholders			
5.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	1.1
	Lucky Rich (or its nominees)(1)	1,014,679,470	8.7
6.	Other public CFE Shareholders	1,790,400,000	15.3
	Subtotal of public CFE Shareholders	**2,934,079,470**	**25.1**
Total		**11,664,304,470**	**100.0**

Members of the CIMC Concert Group at the relevant time (namely Top Gear and Sharp Vision) will hold an aggregate of 5,888,043,709 Shares, representing approximately 50.5% of the then issued share capital of CFE.

(h) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion and the TianDa Completion, assuming (i) all the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options has been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	6.7
	Sharp Vision#	9,618,962,597	52.6
2.	Jiang Xiong	981,600,000	5.4
3.	Fengqiang(2)	2,616,751,693	14.3
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	0.7
	Lucky Rich (or its nominees)(1)	1,962,563,770	10.7
	Subtotal of non-public CFE Shareholders	**16,532,449,490**	**90.4**
Public CFE Shareholders			
5.	Other public CFE Shareholders	1,744,400,000	9.6
	Subtotal of public CFE Shareholders	**1,744,400,000**	**9.6**
Total		**18,276,849,490**	**100.0**

Members of the CIMC Concert Group at the relevant time (namely Top Gear and Sharp Vision) will hold an aggregate of 10,842,534,027 Shares, representing approximately 59.3% of the then issued share capital of CFE.

(i) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion and the TianDa Completion, assuming (i) all the Convertible Bonds have been fully converted; and (ii) all the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	6.7
	Sharp Vision#	9,618,962,597	52.3
2.	Jiang Xiong	985,600,000	5.4
3.	Fengqiang(2)	2,616,751,693	14.2
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	0.7
	Lucky Rich (or its nominees)(1)	1,962,563,770	10.7
5.	Directors of the CFE Group (other than Jiang Xiong)	65,625,000	0.3
	Subtotal of non-public CFE Shareholders	**16,602,074,490**	**90.3**
Public CFE Shareholders			
6.	Other public CFE Shareholders	1,790,400,000	9.7
	Subtotal of public CFE Shareholders	**1,790,400,000**	**9.7**
Total		**18,392,474,490**	**100.0**

Members of the CIMC Concert Group at the relevant time (namely Top Gear and Sharp Vision) will hold an aggregate of 10,842,534,027 Shares, representing approximately 59.0% of the then issued share capital of CFE.

(j) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion, assuming (i) the TianDa Completion does not take place; (ii) only the Convertible Bonds held by CIMC Group have been fully converted; and (iii) none of the CFE Share Options has been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	8.2
	Sharp Vision#	9,618,962,597	64.8
2.	Jiang Xiong	981,600,000	6.6
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	0.9
	Lucky Rich (or its nominees)(1)#	–	–
	Subtotal of non-public CFE Shareholders	**11,953,134,027**	**80.5**
Public CFE Shareholders			
4.	Fengqiang(2)	1,143,679,470	7.7
5.	Other public CFE Shareholders	1,744,400,000	11.8
	Subtotal of public CFE Shareholders	**2,888,079,470**	**19.5**
Total		**14,841,213,497**	**100.0**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and Lucky Rich) will hold an aggregate of 10,971,534,027 Shares, representing approximately 73.9% of the then issued share capital of CFE.

(k) The following table sets out the shareholding structure of CFE immediately after the Pteris Completion and the TianDa Completion, assuming (i) only the Convertible Bonds held by CIMC Group have been fully converted; and (ii) none of the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	7.4
	Sharp Vision#	9,618,962,597	58.3
2.	Jiang Xiong	981,600,000	5.9
3.	Fengqiang(2)	1,790,956,291	10.9
	Subtotal of non-public CFE Shareholders	**13,615,090,318**	**82.5**
Public CFE Shareholders			
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	0.8
	Lucky Rich (or its nominees)(1)	1,014,679,470	6.1
5.	Other public CFE Shareholders	1,744,400,000	10.6
	Subtotal of public CFE Shareholders	**2,888,079,470**	**17.5**
Total		**16,503,169,788**	**100.0**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear and Sharp Vision) will hold an aggregate of 10,842,534,027 Shares, representing approximately 65.7% of the then issued share capital of CFE.

Notes:

(1) As at the Latest Practicable Date, Mr. Liu Xiaolin holds the CFE Shares through Genius Earn Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Xiaolin. Mr. Liu Xiaolin is also the sole shareholder of one of the two general partners of a limited partnership directly holding the entire issued share capital of Lucky Rich, which is in turn interested in 30% of the equity interest in TianDa as at the Latest Practicable Date. In the event that only the Pteris Completion takes place, TianDa will become a non-wholly owned subsidiary of CFE, and Mr. Liu Xiaolin (a substantial shareholder of TianDa) will become a core connected person of CFE (as defined under the Listing Rules). Accordingly, the CFE Shares directly held by Genius Earn Limited (a close associate of Mr. Liu Xiaolin as defined under the Listing Rules) should not be counted towards the public float of CFE. In addition, each of Mr. Liu Xiaolin, Genius Earn Limited, Lucky Rich and its nominees is presumed to be acting in concert with CIMC as at the Latest Practicable Date. After the TianDa Completion, Lucky Rich no longer controls 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC; therefore, they will no longer be members of the CIMC Concert Group.

(2) As at the Latest Practicable Date, Fengqiang is presumed to be acting in concert with CIMC. After the Pteris Completion, Fengqiang no longer controls 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC. Therefore, Fengqiang will no longer be a member of the CIMC Concert Group.

(3) CFE adopted the CFE Share Option Scheme on 29 May 2009. As at the Latest Practicable Date, there are 115,625,000 outstanding CFE Share Options.

(4) Scenarios (d), (e), (h) and (i) are based on the assumption that the Convertible Bonds have been fully converted and scenarios (j) and (k) are based on the assumption that only the Convertible Bonds held by CIMC Group have been fully converted. The minimum public float requirement under the Listing Rules would not be complied with under these scenarios. According to the terms of the Convertible Bonds, the summary of which are set out in the sub-section headed "(2) Proposed Issuance of Convertible Bonds" above no conversion of the Convertible Bonds shall take place if immediately after such conversion, the public float of the CFE Shares will fall below the minimum public float as stipulated under the Listing Rules or as required by the Stock Exchange. Therefore, scenarios (d), (e), (h), (i), (j) and (k) are for illustration purpose only.

(5) As at the Latest Practicable Date, Mr. Jiang Qing (the elder brother of Mr. Jiang Xiong) holds 28,000,000 CFE Share Options. Pursuant to a ruling of the Executive dated 19 May 2015, the class (1) presumption in the definition of "acting in concert" that arises between Top Gear on the one hand and Mr. Jiang Xiong and Mr. Jiang Qing on the other hand was rebutted and Mr. Jiang Xiong is not a member of the CIMC Concert Group.

(4) The Subscription Agreement

The principal terms of the Subscription Agreement are set out below:

Date

6 February 2018

Parties

(a) the Company, as issuer; and

(b) the Subscriber, as subscriber.

Subscription Shares

Pursuant to the terms and conditions of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 673,225,000 Subscription Shares.

The Subscription Shares represent (i) approximately 16.5% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 5.5% of the enlarged issued share capital of the Company (assuming (a) only the Pteris Completion takes place and the TianDa Completion does not take place; and (b) there is no change in the issued share capital of the Company between the Latest Practicable Date and the Subscription Completion Date save for the issuance of the Consideration Shares and the Subscription Shares); and (iii) approximately 5.5% of the enlarged issued share capital of the Company (assuming (a) both the Pteris Completion and the TianDa Completion take place; and (b) there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the issuance of the Consideration Shares and the Subscription Shares). The aggregate nominal value of the Subscription Shares is HK$6,732,250.

Ranking of the Subscription Shares

The Subscription Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of the allotment, save in respect of any distribution or other corporate action the record date for which fall before the date of completion of the Subscription.

Subscription Price

The Subscription Price of HK$0.366 per Subscription Share represents:

(a) a discount of approximately 3.7% to the closing price of HK$0.380 per CFE Share as quoted on the Stock Exchange on the date of the Subscription Announcement;

(b) a discount of approximately 7.8% to the average closing price of approximately HK$0.397 per CFE Share for the last five consecutive trading days immediately prior to the date of the Subscription Announcement; and

(c) a discount of approximately 7.3% to the average closing price of approximately HK$0.395 per CFE Share for the last ten consecutive trading days immediately prior to the date of the Subscription Announcement.

The gross proceeds from the Subscription are HK$246.4 million (equivalent to approximately RMB198.6 million). The net proceeds from the Subscription, after deducting all related fees and expenses, are expected to be approximately HK$243.7 million (equivalent to approximately RMB196.4 million). The net price per Subscription Share, after deducting all such related fees and expenses, is therefore approximately HK$0.362.

The Subscription Price was arrived after arm's length negotiations between the Company and the Subscriber based on the issue price of the Consideration Shares and the conversion price of the Convertible Bonds pursuant to the terms of the Proposed Acquisitions, which was determined with reference to (i) the historical market price of the CFE Shares since early 2017 when the negotiation on terms of the Sale and Purchase Agreements first started; (ii) acquisitions of business or assets by other listed companies that involve the issuance of consideration shares, which often involve a discount to the recent trading prices; and (iii) the relatively high price-earnings ratio of the Consideration Shares as compared to the price-earnings ratio of identifiable comparable companies listed on other stock exchanges that are engaged in comparable business of the Company, which provides justification for the discount of the issue price to the market price of the CFE Shares.

Subscription Conditions

Completion of the Subscription is conditional upon all of the following Subscription Conditions having been satisfied:

(a) the Pteris Completion having taken place;

(b) the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate having been approved by the Independent CFE Shareholders at the EGM;

(c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal, in the Subscription Shares (and such listing and permission not subsequently having been revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);

(d) no legislation, rule or regulation having been proposed or passed that would prohibit or materially restrict the implementation of the Subscription Agreement; and

(e) the warranties given by the Subscriber under the Subscription Agreement remaining true, accurate, complete and correct in all respects and not misleading in any respect up to and including the Subscription Completion Date.

The Company may waive any of the Subscription Conditions (other than Subscription Conditions (a), (b) and (c) as set out above) at its absolute discretion at or before 12:00 noon (Hong Kong time) on the Subscription Long Stop Date.

Completion

Completion shall take place within three business days after (a) satisfaction (or waiver) of the last of the Subscription Conditions; and (b) the payment of the Subscription Monies by the Subscriber pursuant to the terms of the Subscription Agreement, or at such date and time as agreed by the Company and the Subscriber.

Termination

The Company may, by notice in writing to the Subscriber, terminate the Subscription Agreement at any time before the Subscription Completion Date in the event that any of the Subscription Conditions have not been fulfilled (or waived) on or before the Subscription Long Stop Date.

Specific Mandate

The Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate sought to be granted to the CFE Board at the CFE EGM. Therefore, the allotment and issuance of the Subscription Shares by the Company is subject to the approval of the Independent CFE Shareholders at the EGM.

Effect on Shareholding Structure of the Company

(a) The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	30.0%
	Sharp Vision#	–	–
2.	Jiang Xiong	981,600,000	24.1%
	Subtotal of non-public CFE Shareholders	**2,205,171,430**	**54.1%**
Public CFE Shareholders			
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	3.2%
	Lucky Rich (or its nominees)(1) #	–	–
4.	Fengqiang#	–	–
5.	Other public CFE Shareholders	1,744,400,000	42.7%
6.	Subscriber #	–	–
	Subtotal of public CFE Shareholders	**1,873,400,000**	**45.9%**
Total		**4,078,571,430**	**100.0%**

As at the Latest Practicable Date, members of the CIMC Concert Group (namely Top Gear, Sharp Vision, Genius Earn Limited, Lucky Rich, Fengqiang and the Subscriber) held an aggregate of 1,352,571,430 Shares, representing approximately 33.2% of the issued share capital of the Company.

(b) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion and the Subscription Completion, assuming (i) the TianDa Completion does not take place; (ii) none of the Convertible Bonds is converted; and (iii) none of the CFE Share Options is exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	10.0%
	Sharp Vision#	6,326,428,570	51.8%
2.	Jiang Xiong	981,600,000	8.0%
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited (1)#	129,000,000	1.1%
	Subtotal of non-public CFE Shareholders	**8,660,600,000**	**70.9%**
Public CFE Shareholders			
4.	Fengqiang	1,143,679,470	9.3%
5.	Other public CFE Shareholders	1,744,400,000	14.3%
6.	Subscriber(2)#	673,225,000	5.5%
	Subtotal of public CFE Shareholders	**3,561,304,470**	**29.1%**
Total		**12,221,904,470**	**100.0%**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited, Lucky Rich and the Subscriber) will hold an aggregate of 8,352,225,000 Shares, representing approximately 68.3% of the then issued share capital of the Company.

(c) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the TianDa Completion and the Subscription Completion, assuming: (i) none of the Convertible Bonds is converted; and (ii) none of the CFE Share Options is exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	10.0%
	Sharp Vision#	4,664,472,279	38.2%
2.	Jiang Xiong	981,600,000	8.0%
3.	Fengqiang	1,790,956,291	14.7%
	Subtotal of non-public CFE Shareholders	**8,660,600,000**	**70.9%**
Public CFE Shareholders			
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	1.0%
	Lucky Rich (or its nominees)(1)	1,014,679,470	8.3%
5.	Other public CFE Shareholders	1,744,400,000	14.3%
6.	Subscriber(2)#	673,225,000	5.5%
	Subtotal of public CFE Shareholders	**3,561,304,470**	**29.1%**
Total		**12,221,904,470**	**100.0%**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision and the Subscriber) will hold an aggregate of 6,561,268,709 Shares, representing approximately 53.7% of the then issued share capital of the Company.

(d) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion and the Subscription Completion, assuming (i) the TianDa Completion does not take place; (ii) all of the Convertible Bonds have been fully converted; and (iii) none of the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	7.2%
	Sharp Vision#	9,618,962,597	56.6%
2.	Jiang Xiong	981,600,000	5.8%
3.	Fengqiang	2,616,751,693	15.4%
4.	Liu Xiaolin and his controlled corporations		
	Genius Earn Limited(1)#	129,000,000	0.8%
	Subtotal of non-public CFE Shareholders	**14,569,885,720**	**85.8%**
Public CFE Shareholders			
5.	Other public CFE Shareholders	1,744,400,000	10.2%
6.	Subscriber(2)#	673,225,000	4.0%
	Subtotal of public CFE Shareholders	**2,417,625,000**	**14.2%**
Total		**16,987,510,720**	**100.0%**

Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and the Subscriber) will hold an aggregate of 11,644,759,027 Shares, representing approximately 68.6% of the then issued share capital of the Company.

(e) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the TianDa Completion and the Subscription Completion, assuming: (i) all of the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	6.4%
	Sharp Vision#	9,618,962,597	50.7%
2.	Jiang Xiong	981,600,000	5.2%
3.	Fengqiang	2,616,751,693	13.8%
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	0.7%
	Lucky Rich (or its nominees)(1)	1,962,563,770	10.4%
	Subtotal of non-public CFE Shareholders	**16,532,449,490**	**87.2%**
Public CFE Shareholders			
5.	Other public CFE Shareholders	1,744,400,000	9.2%
6.	Subscriber(2)#	673,225,000	3.6%
	Subtotal of public CFE Shareholders	**2,417,625,000**	**12.8%**
Total		**18,950,074,490**	**100.0%**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision and the Subscriber) will hold an aggregate of 11,515,759,027 Shares, representing approximately 60.8% of the then issued share capital of the Company.

(f) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion and the Subscription Completion, assuming: (i) The TianDa Completion does not take place; (ii) all of the Convertible Bonds have been fully converted; and (ii) all of the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	7.1%
	Sharp Vision#	9,618,962,597	56.2%
2.	Jiang Xiong	985,600,000	5.8%
3.	Fengqiang	2,616,751,693	15.3%
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	0.8%
	Lucky Rich (or its nominees)(1)#	–	–
5.	Directors of the Group (other than Jiang Xiong)	65,625,000	0.4%
	Subtotal of non-public CFE Shareholders	**14,639,510,720**	**85.6%**
Public CFE Shareholders			
6.	Other public CFE Shareholders	1,790,400,000	10.5%
7.	Subscriber(2)#	673,225,000	3.9%
	Subtotal of public CFE Shareholders	**2,463,625,000**	**14.4%**
Total		**17,103,135,720**	**100.0%**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and the Subscriber) will hold an aggregate of 11,644,759,027 Shares, representing approximately 68.1% of the then issued share capital of the Company.

(g) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the TianDa Completion and the Subscription Completion, assuming: (i) all of the Convertible Bonds have been fully converted; and (ii) all of the CFE Share Options have been exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	6.4%
	Sharp Vision#	9,618,962,597	50.5%
2.	Jiang Xiong	985,600,000	5.2%
3.	Fengqiang	2,616,751,693	13.7%
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	0.7%
	Lucky Rich (or its nominees)(1)	1,962,563,770	10.3%
5.	Directors of the Group (other than Jiang Xiong)	65,625,000	0.3%
	Subtotal of non-public CFE Shareholders	**16,602,074,490**	**87.1%**
Public CFE Shareholders			
6.	Other public CFE Shareholders	1,790,400,000	9.4%
7.	Subscriber(2)#	673,225,000	3.5%
	Subtotal of public CFE Shareholders	**2,463,625,000**	**12.9%**
Total		**19,065,699,490**	**100.0%**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision and the Subscriber) will hold an aggregate of 11,515,759,027 Shares, representing approximately 60.4% of the then issued share capital of the Company.

Notes:

(1) As at the Latest Practicable Date, Mr. Liu Xiaolin holds the Shares through Genius Earn Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Xiaolin. Mr. Liu Xiaolin is also the sole shareholder of one of the two general partners of a limited partnership directly holding the entire issued share capital of Lucky Rich, which is in turn interested in 30% of the equity interest in TianDa as at the Latest Practicable Date. In the event that only the Pteris Completion takes place, TianDa will become a non-wholly owned subsidiary of the Company, and Mr. Liu Xiaolin (a substantial shareholder of TianDa) will become a core connected person of the Company (as defined under the Listing Rules). Accordingly, the Shares directly held by Genius Earn Limited (a close associate of Mr. Liu Xiaolin as defined under the Listing Rules) should not be counted towards the public float of the Company.

(2) The Subscriber is presumed to be a party acting in concert with CIMC pursuant to the class (1) presumption under the Takeovers Code, as further explained in the section headed "Information on the Subscriber" below.

(3) Scenarios (d), (e), (f) and (g) are based on the assumption that the Convertible Bonds have been fully converted. The public float requirement under the Listing Rules would not be complied with under such scenarios. According to the terms of the Convertible Bonds, the summary of which is set out in the sub-section headed "(2) Proposed Issuance of Convertible Bonds" above no conversion of the Convertible Bonds shall take place if immediately after such conversion, the public float of the Shares will fall below the minimum public float as stipulated under the Listing Rules or as required by the Stock Exchange. Therefore, scenarios (d), (e), (f) and (g) are for illustration purpose only.

Fund-Raising Activities by the Company in the Last 12 Months

The Company has not raised any funds by issuing equity securities during the 12 months immediately before the date of the Subscription Announcement.

Application for Listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Reasons for and Benefits of the Subscription

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and facilitate the growth of the Enlarged Group. The Pteris Group will continue to consolidate its leadership position in domestic boarding bridges, ground support equipment, baggage handling systems, automated warehouses markets. At the same time, the Pteris Group will further expand the international market, and its resources will be especially concentrated in the U.S. market. According to Frost & Sullivan, the revenue in the global PBB market is forecast to reach approximately RMB3,332.0 million in 2021, realizing a CAGR of 5.5% from 2016 to 2021. For the GSE market, underpinned by growing upgrading and new deployment demand around the world, the global GSE market is expected to achieve 15.6% revenue growth in the coming five years from 2017 to 2021 as compared with the past five years. For the MHS market, it is forecast that the global MHS market is likely to maintain its steady revenue growth in the following five years from 2017 to 2021, reaching approximately US$22.3 billion in 2021, representing a CAGR of 5.2%. The Directors believe that the additional funds to be raised from the Subscription could speed up the execution plan towards the Enlarged Group's goal and help capture the growth of the market.

Furthermore, upon the Subscription Completion and upon conversion of the Conversion Bonds by the core connected persons of the Company (as defined in the Listing Rules) to a level permissible under Rule 8.08 of the Listing Rules, the finance charge and the liability component of the Convertible Bonds of the Enlarged Group can decrease.

The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

Use of Proceeds

The net proceeds from the Subscription are intended to be used in the following manner:

(i) as to approximately RMB58.8 million to be used for the construction of a new PBB factory in the U.S.;

(ii) as to approximately RMB58.8 million to be used for the expansion of the Pteris Group's PBB business into overseas markets such as the U.S., Canada, the Netherland and Dubai by, among other things, setting up services companies to upgrade aged passenger boarding bridges and providing general after-sale support services in the aforementioned regions;

(iii) as to approximately RMB58.8 million to be used for research and development activities, including but not limited to those relating to visually intelligent docking guidance system for the PBB business, fully automated connection systems for the PBB and GSE business segments and automated guided vehicles for the MHS and APS business segments; and

(iv) as to approximately RMB20.0 million to be used for replenishment of general working capital.

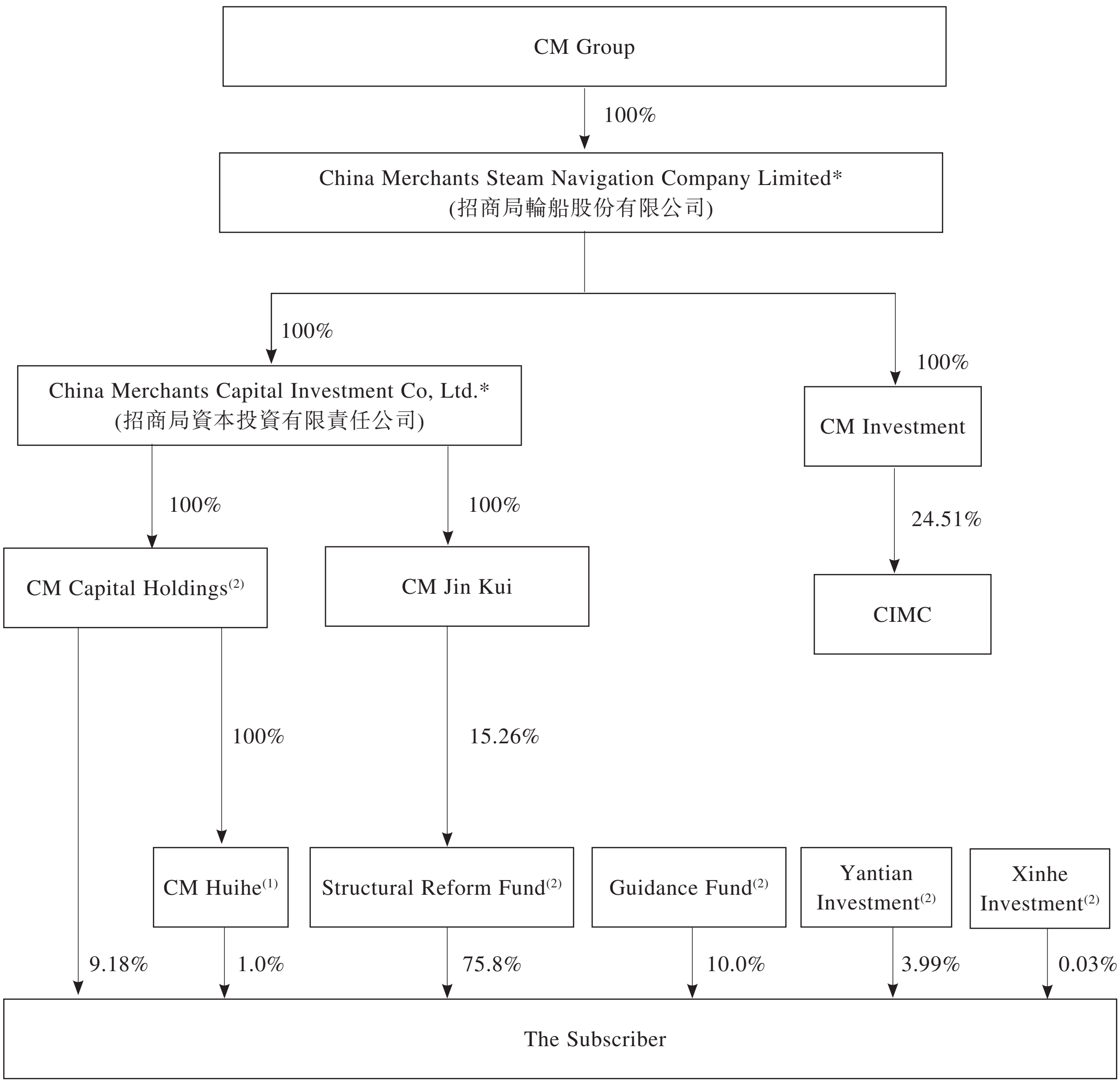
Information on the Subscriber

The Subscriber is a limited partnership established in the PRC, which focuses on mergers and acquisitions, restructuring, reform of state-owned enterprises in the field of cultural and entertainment, medical, logistic, financial, and environmental industry. As at the Latest Practicable Date, the Subscriber has assets under management of approximately RMB25 billion.

As at the Latest Practicable Date, the general partner of the Subscriber is CM Huihe which holds approximately 1.00% of the interest in the Subscriber. CM Capital Holdings, Guidance Fund, Structural Reform Fund, Yantian Investment and Xinhe Investment are limited partners of the Subscriber, which hold approximately 9.18%, 10.00%, 75.80%, 3.99% and 0.03%, respectively, of the limited partnership interest in the Subscriber. Each of CM Huihe, CM Capital Holdings and the Structural Reform Fund is indirectly owned by CM Group as to approximately 100%, 100% and 15.26%, respectively. CM Investment, an indirect wholly-owned subsidiary of CM Group, directly holds approximately 24.51% of the total issued share capital of CIMC and therefore, each of CM Group and CM Investment constitutes a substantial shareholder of CIMC (as defined in the Listing Rules).

The remaining three limited partners of the Subscriber (namely, Guidance Fund, Yantian Investment and Xinhe Investment) do not have any shareholding relationship with CM Group and are independent third parties of the Company.

The following chart sets forth the simplified shareholding relationship amongst the Subscriber, CIMC and the Company as at the Latest Practicable Date:



Notes:

(1) CM Huihe is the general partner of the Subscriber.

(2) Each of CM Capital Holdings, Guidance Fund, Structural Reform Fund, Yantian Investment and Xinhe Investment is a limited partner of the Subscriber.

Accordingly, the Subscriber is presumed to be a party acting in concert with CIMC pursuant to the class (1) presumption under the Takeovers Code. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

(5) The Proposed Conversion

As shown in table (4)(c) on page 58 of this circular, the CIMC Group will have an equity interest of 48.2% in the Company upon the Pteris Completion, the TianDa Completion and the Subscription Completion. In order for the CIMC Group to maintain an equity interest of more than 50% in the Company, Sharp Vision proposes to conduct the Proposed Conversion immediately or shortly after the Pteris Completion in accordance with the terms of the Convertible Bonds. Upon completion of the Proposed Conversion, the CIMC Group will have an equity interest of 53.8% in the Company. It is contemplated that the Proposed Conversion Shares will be issued to Sharp Vision at the same time as or shortly after the issue of the Subscription Shares in order to maintain the public float of the Company at not less than 25% in accordance with the requirements of the Listing Rules.

Effect on Shareholding Structure of the Company

(a) The following table sets out the shareholding structure of the Company as at the Latest Practicable Date

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	30.0%
	Sharp Vision#	–	–
2.	Jiang Xiong	981,600,000	24.1%
	Subtotal of non-public CFE Shareholders	**2,205,171,430**	**54.1%**
Public CFE Shareholders			
3.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)#	129,000,000	3.2%
	Lucky Rich (or its nominees)(1) #	–	–
4.	Fengqiang#	–	–
5.	Other public CFE Shareholders	1,744,400,000	42.7%
6.	Subscriber #	–	–
	Subtotal of public CFE Shareholders	**1,873,400,000**	**45.9%**
Total		**4,078,571,430**	**100.0%**

\# As at the Latest Practicable Date, members of the CIMC Concert Group (namely Top Gear, Sharp Vision, Genius Earn Limited, Lucky Rich, Fengqiang and the Subscriber) held an aggregate of 1,352,571,430 Shares, representing approximately 33.2% of the issued share capital of the Company.

(b) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the Proposed Conversion, the TianDa Completion and the Subscription Completion, assuming (i) none of the other Convertible Bonds is converted; and (ii) none of the CFE Share Options is exercised:

		Number of CFE Shares	Approximate %
Non-Public CFE Shareholders			
1.	**CIMC Group**		
	Top Gear#	1,223,571,430	8.9%
	Sharp Vision#	6,164,472,279	44.9%
2.	Jiang Xiong	981,600,000	7.2%
3.	Fengqiang	1,790,956,291	13.1%
	Subtotal of non-public CFE Shareholders	**10,160,600,000**	**74.0%**
Public CFE Shareholders			
4.	**Liu Xiaolin and his controlled corporations**		
	Genius Earn Limited(1)	129,000,000	1.0%
	Lucky Rich (or its nominees)(1)	1,014,679,470	7.4%
5.	Other public CFE Shareholders	1,744,400,000	12.7%
6.	Subscriber(2)#	673,225,000	4.9%
	Subtotal of public CFE Shareholders	**3,561,304,470**	**26.0%**
Total		**13,721,904,470**	**100.0%**

\# Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision and the Subscriber) will hold an aggregate of 8,061,268,709 Shares, representing approximately 58.7% of the then issued share capital of the Company.

Notes:

(1) As at the Latest Practicable Date, Mr. Liu Xiaolin holds the Shares through Genius Earn Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Xiaolin. Mr. Liu Xiaolin is also the sole shareholder of one of the two general partners of a limited partnership directly holding the entire issued share capital of Lucky Rich, which is in turn interested in 30% of the equity interest in TianDa as at the Latest Practicable Date. In the event that only the Pteris Completion takes place, TianDa will become a non-wholly owned subsidiary of the Company, and Mr. Liu Xiaolin (a substantial shareholder of TianDa) will become a core connected person of the Company (as defined under the Listing Rules). Accordingly, the Shares directly held by Genius Earn Limited (a close associate of Mr. Liu Xiaolin as defined under the Listing Rules) should not be counted towards the public float of the Company.

(2) The Subscriber is presumed to be a party acting in concert with CIMC pursuant to the class (1) presumption under the Takeovers Code, as further explained in the section headed "Information on the Subscriber" below.

PART C: PROPOSED INCREASE IN AUTHORIZED CAPITAL OF CFE

The CFE Board proposes that amendments shall be made to the CFE Memorandum of Association to increase the authorized share capital of CFE to facilitate the issue of the Consideration Shares, the Conversion Shares and the Subscription Shares. The proposed increase in authorized capital of CFE is subject to the approval of the Independent CFE Shareholders by way of an ordinary resolution at the CFE EGM. For details of the proposed increase in authorized capital of CFE, please refer to section headed "2. Share Capital" in Appendix V to this circular.

PART D: IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, CIMC, through Top Gear (a wholly-owned subsidiary of CIMC), controls or is entitled to exercise control over the voting rights in respect of 1,223,571,430 CFE Shares, representing approximately 30% of the entire issued share capital of CFE. Further, as set out on pages 26, 52 and 65 of this circular, each of Fengqiang and Genius Earn is presumed to be acting in concert with CIMC before the Pteris Completion and TianDa Completion respectively and the Subscriber is presumed to be a party acting in concert with CIMC. As at the Latest Practicable Date, the CIMC Concert Group (through Top Gear and Genius Earn) controls or is entitled to exercise control over voting rights in respect of 1,352,571,430 CFE Shares, representing 33.2% of the entire issued share capital of CFE.

Assuming there is no other change in the issued share capital of CFE and none of the Convertible Bonds have been converted other than the Proposed Conversion (as the case may be),

(i) immediately following the Pteris Completion (assuming the TianDa Completion, the Proposed Conversion and the Subscription Completion have not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and Genius Earn) will increase to approximately 65.4% and 66.5% of the then enlarged total issued share capital respectively;

(ii) immediately following the Pteris Completion and TianDa Completion (assuming the Proposed Conversion and the Subscription Completion have not taken place), the aggregate shareholding of each of the CIMC Group and the CIMC Concert Group (both through Top Gear and Sharp Vision) will increase to approximately 51.0% of the then enlarged total issued share capital of CFE;

(iii) immediately following the Pteris Completion and Subscription Completion (assuming the TianDa Completion and the Proposed Conversion have not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision, Genius Earn and the Subscriber) will increase to approximately 61.8% and 68.3% of the then enlarged total issued share capital respectively;

(iv) immediately following the Pteris Completion, TianDa Completion and Subscription Completion (assuming the Proposed Conversion has not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and the Subscriber) will increase to approximately 48.2% and 53.7% of the then enlarged total issued share capital of CFE respectively; and

(v) immediately following the Pteris Completion, the TianDa Completion, the Proposed Conversion and the Subscription Completion, the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and the Subscriber) will increase to approximately 53.8% and 58.7% of the then enlarged total issued share capital of CFE respectively.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, Sharp Vision will be required to make a mandatory general offer for all the issued CFE Shares and CFE Share Options not already owned or agreed to be acquired by the CIMC Concert Group, unless the Whitewash Waiver has been obtained from the Executive.

Completion of the Proposed Acquisitions is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent CFE Shareholders. An application has been made by CIMC (on behalf of Sharp Vision) to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent CFE Shareholders taken by way of a poll at the CFE EGM. In the event that the Whitewash Waiver is not granted on or before 12:00 noon on the Long Stop Date, the Sale and Purchase Agreements will lapse and the Proposed Acquisitions will not proceed.

If the Whitewash Waiver is approved by the Independent CFE Shareholders, assuming there is no other change to the issued share capital of the Company, the CIMC Group's interest in the Company will exceed 50% (i) after the Pteris Completion (assuming the TianDa Completion has not taken place and whether or not the Subscription Completion has taken place) and (ii) after the Pteris Completion, the TianDa Completion, the Subscription Completion and the Proposed Conversion, and the CIMC Group may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date:

(a) save for the 1,223,571,430 CFE Shares held by Top Gear and the 129,000,000 CFE Shares held by Genius Earn Limited which is in turn wholly-owned by Liu Xiaolin, none of the members of the CIMC Concert Group holds, own, has control or direction over any voting rights, rights over shares, outstanding options, warrants, or any securities that are convertible into CFE Shares or any derivatives in respect of the securities of CFE, or hold any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in CFE;

(b) other than the transactions contemplated under the Sale and Purchase Agreements, the Proposed Conversion and the Subscription Agreement, none of the members of the CIMC Concert Group has acquired or entered into any agreement or arrangement to acquire any voting rights in CFE during the Relevant Period;

(c) none of the members of the CIMC Concert Group has received any irrevocable commitment to vote for and against the Proposed Acquisitions, the Sale and Purchase Agreements and the Whitewash Waiver;

(d) none of the members of the CIMC Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in CFE;

(e) none of the members of the CIMC Concert Group has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the CFE Shares or the shares of Sharp Vision or CIMC, which might be material to the Proposed Acquisitions, the Sale and Purchase Agreements and the Whitewash Waiver, with other persons; and

(f) none of the members of the CIMC Concert Group has any agreement or arrangement to which it is a party which relates to the circumstances which it may or may not invoke or seek a pre-condition or a condition to the Proposed Acquisitions, the Sale and Purchase Agreements and the Whitewash Waiver.

Save for the transactions contemplated under the Sale and Purchase Agreements, the Proposed Conversion and the Subscription Agreement, (i) none of the members of the CIMC Concert Group has dealt for value in the CFE Shares within the Relevant Period; and (ii) the CIMC Concert Group has not and will not acquire or dispose of any voting rights of CFE after the date of the Joint Announcement until completion of the Proposed Acquisitions.

As at the Latest Practicable Date, each of CIMC and CFE does not believe that the Proposed Pteris Acquisition, the Subscription and the Proposed Conversion give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). CIMC and CFE note that the Executive may not grant the Whitewash Waiver if the Proposed Pteris Acquisition, the Subscription and the Proposed Conversion not comply with other applicable rules and regulations.

Save for the 115,625,000 CFE Share Options, CFE has no outstanding warrants, options or securities convertible into CFE Shares as at the Latest Practicable Date.

PART E: SPECIAL DEAL

Since the Proposed TianDa Acquisition is an arrangement made between CFE, a party acting in concert with CIMC, and Lucky Rich (which is wholly-owned by a limited partnership, one of the two general partners of which is solely owned by the ultimate beneficial owner of a CFE Shareholder) which is not capable of being extended to all CFE Shareholders, the Proposed TianDa Acquisition constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) the CFE Independent Financial Adviser publicly stating that in its opinion the terms of the Proposed TianDa Acquisition are fair and reasonable; and (ii) the approval of the Proposed TianDa Acquisition and the Special Deal by the Independent CFE Shareholders by way of poll at the CFE EGM.

PART F: PROPOSED CHANGE OF COMPANY NAME

The CFE Board proposes to change the name of the Company from "China Fire Safety Enterprise Group Limited" to "CIMC-TianDa Holdings Company Limited" and the Chinese name from「中國消防企業集團有限公司」to「中集天達控股有限公司」, conditional upon the Pteris Completion.

The CFE Board believes that the new name of the Company provides a more accurate reflection of the Company's corporate identity, its direction of future development and better reflect the relationship between the Company and CIMC, the indirect controlling shareholder of the Company. The CFE Board considers that the change of Company name is in the best interests of the Company and the CFE Shareholders as a whole.

The Proposed Change of Company Name will take effect from the date on which the new name is entered on the register by the Registrar of Companies in the Cayman Islands in place of the existing name. The Company will further carry out the necessary filing procedures with the Registrar of Companies in Hong Kong. Upon the Proposed Change of Company Name becoming effective, all existing share certificates in issue bearing the current name of "China Fire Safety Enterprise Group Limited (with the Chinese name 中國消防企業集團有限公司)" will continue to be evidence of title to shares of the Company and valid for trading, settlement and registration purposes and the rights of the CFE Shareholders will not be affected as a result of the change of Company name. Should the Proposed Change of Company Name become effective, any issue of share certificates thereafter will be in the new Company name and the securities of the Company will be traded on the Stock Exchange in the new name. There will not be any arrangement for the exchange of the existing share certificates for new shares certificates bearing the new Company name.

The Proposed Change of Company Name is subject to the passing of a special resolution by the CFE Shareholders at the EGM, the Pteris Completion and the approval of the Registrar of Companies in the Cayman Islands.

PART G: GENERAL

(1) CFE Independent Board Committee, CFE Whitewash Waiver Board Committee and CFE Independent Financial Adviser

The CFE Independent Board Committee comprising all the independent non-executive directors of CFE, namely, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, has been formed pursuant to the requirements under the Listing Rules to advise the Independent CFE Shareholders on matters in relation to the Proposed Acquisitions, the Subscription Agreement and the Specific Mandate.

The CFE Whitewash Waiver Board Committee comprising all the non-executive directors and independent non-executive directors of CFE who have no direct or indirect interest in the Whitewash Waiver and the Special Deal, namely, Mr. Robert Johnson, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, has been formed pursuant to the requirements under the Takeovers Code to advise the Independent CFE Shareholders on matters in relation to the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver, the Proposed Conversion and the Special Deal. Given that each of Dr. Li Yin Hui and Mr. Yu Yu Qun is a non-executive director of CFE nominated by CIMC, they have not been included in the CFE Whitewash Waiver Board Committee.

The CFE Independent Financial Adviser has been appointed by CFE pursuant to the requirements under the Listing Rules and the Takeovers Code to advise the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders on matters in relation to the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver, the Proposed Conversion and the Special Deal.

(2) CFE EGM

The CFE EGM will be convened to consider and, if thought fit, approve (i) the Proposed Acquisitions; (ii) the Specific Mandate; (iii) the proposed increase in the authorized capital of CFE; (iv) the Whitewash Waiver; (v) the Special Deal; (vi) Proposed Change of Company Name; (vii) the Proposed Conversion; and (viii) the entering into of the Subscription Agreement and the transactions contemplated thereunder.

The notice of CFE EGM is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the CFE EGM is enclosed. Whether or not you propose to attend the CFE EGM, you are requested to complete the form of proxy and return the same to 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 in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the CFE EGM if you so wish.

The CIMC Concert Group (including Top Gear and Genius Earn Limited) and the CFE Shareholders who are involved in or interested in the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Proposed Conversion, the Subscription, the Specific Mandate, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the resolutions to be proposed at the CFE EGM in relation to the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Proposed Conversion, the Subscription, the Specific Mandate, the Whitewash Waiver and/or the Special Deal. Save for Top Gear (an indirect non-wholly owned subsidiary of CIMC) and Genius Earn Limited (a company wholly-owned by Mr. Liu Xiaolin) which holds 1,223,571,430 CFE Shares and 129,000,000 CFE Shares, representing 30% and 3.2%, respectively, of the issued share capital of CFE as at the Latest Practicable Date, no other CFE Shareholder has a material interest in or involved in the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Proposed Change of Company Name, the Subscription, the Specific Mandate, the Whitewash Waiver or the Special Deal and therefore no other CFE Shareholder is required to abstain from voting on resolutions in relation to the abovementioned matters at the CFE EGM.

The Proposed Acquisitions and the Subscription are conditional upon the relevant conditions precedent being fulfilled (or waived, as the case may be) and may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent CFE Shareholders by way of poll, the Sale and Purchase Agreements will lapse and the Proposed Acquisitions and the Subscription will not proceed. Accordingly, the CFE Shareholders and prospective investors are reminded to exercise caution when trading in the securities of CFE.

PART H: RECOMMENDATIONS

Your attention is drawn to the letter from the CFE Independent Board Committee set out on pages 74 to 75 of this circular, the letter from the CFE Whitewash Waiver Board Committee on page 76 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the CFE Independent Whitewash Waiver Board Committee and the Independent CFE Shareholders set out on pages 77 to 147 of this circular in connection with the Proposed Acquisitions, the Proposed Conversion, the Subscription, the Specific Mandate, the Whitewash Waiver, the Special Deal and the principal factors and reasons considered by the CFE Independent Financial Adviser in arriving at such advice.

The CFE Board recommends the Independent CFE Shareholders to vote in favour of the resolutions to approve the Proposed Acquisitions, the Proposed Conversion, the Subscription, the Specific Mandate, the Whitewash Waiver, the Special Deal, the Proposed Change of Company Name and the proposed increase in authorized capital of CFE at the EGM.

Yours faithfully,
By Order of the Board
China Fire Safety Enterprise Group Limited
Li Yin Hui
Chairman

The following is the text of a letter from the CFE Independent Board Committee setting out its recommendation to the Independent CFE Shareholders in relation to the Proposed Acquisitions and the Specific Mandate.

CFE

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)

15 March 2018

To the Independent CFE Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND (2) PROPOSED ISSUE OF CONSIDERATION SHARES, CONVERTIBLE BONDS AND SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 15 March 2018 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, (i) the Proposed Acquisitions are entered into in the ordinary course of business of the CFE Group; and (ii) the terms of the Sale and Purchase Agreements, the Subscription Agreement and the Specific Mandate are fair and reasonable and in the interests of the Company and the CFE Shareholders as a whole. Yunfeng Financial Markets Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, are set out on pages 77 to 147 of the Circular.

Having considered the terms of the Proposed Acquisitions and the Subscription and the advice of Yunfeng Financial Markets Limited, we are of the opinion that, (i) whilst the Proposed Acquisitions are not entered into in the ordinary course of business of the CFE Group, they are in line with the long-term business strategies of the CFE Group and on normal commercial terms; and (ii) the terms of the Sale and Purchase Agreements, the Subscription Agreement and the Specific Mandate are fair and reasonable and in the interests of the Company and the CFE Shareholders (including the Independent CFE Shareholders). We therefore recommend the Independent CFE Shareholders to vote in favour of the ordinary resolutions to be proposed at the CFE EGM to approve the Proposed Acquisitions, the Subscription and the Specific Mandate.

Yours faithfully,
CFE Independent Board Committee

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

The following is the text of a letter from the CFE Whitewash Waiver Board Committee setting out its recommendation to the Independent CFE Shareholders in relation to the Whitewash Waiver and the Special Deal.

CFE

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)

15 March 2018

To the Independent CFE Shareholders

Dear Sir or Madam,

APPLICATION FOR WHITEWASH WAIVER AND THE SPECIAL DEAL

We refer to the circular of the Company dated 15 March 2018 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Whitewash Waiver Board Committee to advise you in respect of the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver, the Proposed Conversion and the Special Deal, the details of which are set out in the "Letter from the Board" in the Circular. Yunfeng Financial Markets Limited has been appointed as the independent financial adviser to advise Whitewash Waiver Board Committee in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons, it has taken into consideration, are set out on pages 77 to 147 of the Circular.

Having considered, among other things, the terms of the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver, the Proposed Conversion, the Special Deal and the advice of the Independent Financial Adviser, we are of the opinion that the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver, the Proposed Conversion and the Special Deal are fair and reasonable and in the interests of the Company and the CFE Shareholders as a whole. We therefore recommend the Independent CFE Shareholders to vote in favour of the ordinary resolutions to be proposed at the CFE EGM to approve the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver, the Proposed Conversion, the Subscription and the Special Deal.

Yours faithfully,
CFE Whitewash Waiver Board Committee

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

The following is the text of a letter of advice from Yunfeng Financial Markets Limited, the independent financial adviser to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders, for the purpose of incorporation into this circular.

Suites 3201-3204
One Exchange Square
8 Connaught Place
Hong Kong

15 March 2018

The Board of Directors, the CFE Independent Board Committee,
the CFE Whitewash Waiver Board Committee and
the Independent CFE Shareholders
China Fire Safety Enterprise Group Limited

Dear Sirs,

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION – PROPOSED ACQUISITIONS
PROPOSED ISSUE OF CONSIDERATION SHARES,
CONVERTIBLE BONDS AND SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE
APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEAL**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders in connection with the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Specific Mandate, the Whitewash Waiver and the Special Deal. Details of the Proposed Acquisitions, the Subscription, the Specific Mandate, the Proposed Conversion, the Whitewash Waiver and the Special Deal are set out in the circular of CFE dated 15 March 2018 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

On 4 December 2017, Wang Sing, CFE, Sharp Vision and Fengqiang entered into the Pteris Sale and Purchase Agreement, pursuant to which Wang Sing has conditionally agreed to acquire and Sharp Vision and Fengqiang have conditionally agreed to sell, the Pteris Sale Shares, representing approximately 99.41% of the issued share capital of Pteris.

On 4 December 2017, Wang Sing and Lucky Rich entered into the TianDa Equity Transfer Agreement, pursuant to which Wang Sing has conditionally agreed to acquire and Lucky Rich has conditionally agreed to sell, the TianDa Sale Interest, representing 30% of the equity interest of TianDa.

Pursuant to the Sale and Purchase Agreements (assuming both Pteris Completion and TianDa Completion take place), CFE will issue Consideration Shares and the Convertible Bonds to the Vendors (or their respective nominee(s)) as consideration for the Proposed Acquisitions. CFE will seek the Specific Mandate from the Independent CFE Shareholders to allot and issue the Consideration Shares and Conversion Shares.

As the highest applicable percentage ratio in respect of the Proposed Acquisitions, on an aggregated basis, exceeds 100%, the transactions contemplated under the Sale and Purchase Agreements constitute a very substantial acquisition for CFE under Chapter 14 of the Listing Rules, which is subject to the notification, announcement, and shareholders' approval requirements under Chapter 14 of the Listing Rules. Sharp Vision is a wholly-owned subsidiary of CIMC (the indirect controlling shareholder of CFE) and is therefore a connected person of CFE, and the Proposed Pteris Acquisition constitutes a connected transaction for CFE. As the highest applicable percentage ratio in respect of the Proposed Pteris Acquisition exceeds 5%, the Proposed Pteris Acquisition is subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 6 February 2018, CFE entered into the Subscription Agreement with the Subscriber, pursuant to which CFE has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 Subscription Shares at the Subscription Price of HK$0.366 per Subscription Share. The general partner of the Subscriber is CM Huihe which holds an approximately 1.00% interest in the Subscriber. CM Capital Holdings, Guidance Fund, Structural Reform Fund, Yantian Investment and Xinhe Investment are limited partners of the Subscriber, which hold approximately 9.18%, 10.00%, 75.80%, 3.99% and 0.03%, respectively, of the limited partnership interest in the Subscriber. Each of CM Huihe, CM Capital Holdings and the Structural Reform Fund is indirectly owned by CM Group, as to approximately 100%, 100% and 15.26%, respectively. CM Investment, an indirect wholly-owned subsidiary of CM Group, directly holds approximately 24.51% of the total issued share capital of CIMC and therefore, each of CM Group and CM Investment constitutes a substantial shareholder of CIMC (as defined in the Listing Rules). Accordingly, the Subscriber is presumed to be a party acting in concert with CIMC pursuant to the class (1) presumption under the Takeovers Code.

In connection with the Subscription, with a view to maintaining a majority shareholding interest in CFE after the Subscription, the CIMC Group intends to carry out the Proposed Conversion (which involves 1,500,000,000 Conversion Shares) and convert the Convertible Bonds with an aggregate principal amount of RMB466,650,000 upon or shortly after issue of the Subscription Shares.

As at the Latest Practicable Date, CIMC, through Top Gear (a wholly-owned subsidiary of CIMC), controls or is entitled to exercise control over the voting rights in respect of 1,223,571,430 CFE Shares, representing 30% of the entire issued share capital of CFE. Further, as set out under the paragraph headed "Information on the Relevant Parties" and in notes 1 and 2 of the shareholding table as set out in the paragraph headed "Effect of the Proposed Issue of the Consideration Shares and the Convertible Bonds on the Shareholding Structure of CFE" in the Letter from the Board, each of Fengqiang and Genius Earn is presumed to be acting in concert with CIMC before the Pteris Completion and TianDa Completion respectively. Pursuant to a ruling of the Executive dated 19 May 2015, the class (1) presumption in the definition of "acting in concert" that arises between Top Gear on the one hand and Mr. Jiang Xiong and Mr. Jiang Qing (the elder brother of Mr. Jiang Xiong) on the other hand was rebutted. Accordingly, Mr. Jiang Xiong is not a member of the CIMC Concert Group.

As such, as at the Latest Practicable Date, the CIMC Concert Group (through Top Gear and Genius Earn) controls or is entitled to exercise control over voting rights in respect of 1,352,571,430 CFE Shares, representing 33.2% of the entire issued share capital of CFE.

Assuming there is no other change in the issued share capital of CFE and none of the Convertible Bonds have been converted other than the Proposed Conversion (which shall take place depending on the Subscription Completion):

(i) immediately following the Pteris Completion (assuming the TianDa Completion, the Proposed Conversion and the Subscription Completion have not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and Genius Earn) will increase to approximately 65.4% and 66.5% of the then enlarged total issued share capital respectively;

(ii) immediately following the Pteris Completion and TianDa Completion (assuming the Proposed Conversion and the Subscription Completion have not taken place), the aggregate shareholding of each of the CIMC Group and the CIMC Concert Group (both through Top Gear and Sharp Vision) will increase to approximately 51.0% of the then enlarged total issued share capital of CFE;

(iii) immediately following the Pteris Completion and Subscription Completion (assuming the TianDa Completion and the Proposed Conversion have not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision, Genius Earn and the Subscriber) will increase to approximately 61.8% and 68.3% of the then enlarged total issued share capital respectively;

(iv) immediately following the Pteris Completion, TianDa Completion and Subscription Completion (assuming the Proposed Conversion has not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and the Subscriber) will increase to approximately 48.2% and 53.7% of the then enlarged total issued share capital of CFE respectively; and

(v) immediately following the Pteris Completion, the TianDa Completion, the Proposed Conversion and the Subscription Completion, the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and the Subscriber) will increase to approximately 53.8% and 58.7% of the then enlarged total issued share capital of CFE respectively.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, Sharp Vision will be required to make a mandatory general offer for all the issued CFE Shares and CFE Share Options not already owned or agreed to be acquired by the CIMC Concert Group, unless the Whitewash Waiver has been obtained from the Executive.

Completion of the Proposed Acquisitions is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent CFE Shareholders, and the Subscription is conditional, among other things, completion of the Proposed Pteris Acquisition. An application has been made by CIMC (on behalf of Sharp Vision) to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent CFE Shareholders taken by way of poll at the CFE EGM. In the event that the Whitewash Waiver is not granted on or before 12:00 noon on the Long Stop Date, the Sale and Purchase Agreements will lapse and the Proposed Acquisitions will not proceed; and the Subscription Agreement will also not become unconditional and will thereby also lapse.

In addition, since the Proposed TianDa Acquisition is an arrangement made between CFE, a party acting in concert with CIMC, and Lucky Rich (which is wholly owned by a limited partnership, one of the two general partners of which is solely owned by the ultimate beneficial owner of a CFE Shareholder), which is not capable of being extended to all CFE Shareholders, the Proposed TianDa Acquisition constitutes a special deal of CFE under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) the CFE Independent Financial Adviser publicly stating that in its opinion the terms of the Proposed TianDa Acquisition are fair and reasonable; and (ii) the approval of the Proposed TianDa Acquisition by the Independent CFE Shareholders by way of poll at the CFE EGM.

The CFE Independent Board Committee comprising all the independent non-executive directors of CFE, namely Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, has been established to give advice and recommendation to the Independent CFE Shareholders in relation to the Proposed Pteris Acquisition and the Specific Mandate.

The CFE Whitewash Waiver Board Committee comprising all the non-executive directors and independent non-executive directors of CFE who have no direct or indirect interest in the Whitewash Waiver, namely, Mr. Robert Johnson, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, has been formed pursuant to the requirements under the Takeovers Code to advise the Independent CFE Shareholders on matters in relation to the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Whitewash Waiver and the Special Deal. Given that each of Dr. Li Yin Hui and Mr. Yu Yu Qun is a non-executive director of CFE nominated by CIMC, they are not members of the CFE Whitewash Waiver Board Committee.

We, Yunfeng Financial Markets Limited, have been appointed as the CFE Independent Financial Adviser to advise the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders on (i) whether the terms of the Proposed Acquisitions, the Subscription, the Specific Mandate, the Whitewash Waiver are on normal commercial terms, in the ordinary and usual course of business of CFE, fair and reasonable and/or in the interests of CFE and the Shareholders as a whole; (ii) whether the terms of the Special Deal are fair and reasonable; and (iii) whether the Proposed Conversion is fair and reasonable; and (iv) how to vote at the CFE EGM in respect of the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Specific Mandate, the Whitewash Waiver and the Special Deal.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular, those supplied or made available by the management of and advisers to CFE to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of CFE that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the CFE Group, the Pteris Group, the TianDa Group, the Subscriber and their respective associates nor have we carried out any in-depth research on the CFE Group, the Pteris Group, the TianDa Group and their respective associates.

During the past two years, apart from our services to CFE in connection with this engagement as independent financial adviser to CFE in respect of the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Whitewash Waiver and the Special Deal, there was no other arrangement between the CFE Group and us where we received/will receive any fees and/or benefits from the CFE Group. As at the Latest Practicable Date, we are not aware of any relationships or interests between us, CFE or their respective substantial shareholders, directors or chief executive, or associates. We are independent under the Listing Rules and under the Takeovers Code to act as the independent financial adviser to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent CFE Shareholders in connection with the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Specific Mandate, the Whitewash Waiver and the Special Deal.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Specific Mandate, the Whitewash Waiver and the Special Deal, we have taken into consideration the following principal factors:

A. Background and information of the CFE Group

Principal business of the CFE Group

CFE 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 CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment. As at the Latest Practicable Date, Top Gear (a wholly-owned subsidiary of CIMC) is the controlling shareholder of CFE which holds approximately 30.0% of the total issued share capital of CFE.

Financial performance of the CFE Group

We set out below the audited consolidated statement of profit or loss of the CFE Group for the years ended 31 December 2014, 2015 and 2016 as contained in the annual reports of the CFE Group for the year ended 31 December 2015 (the "**2015 Annual Report**") and for the year ended 31 December 2016 (the "**2016 Annual Report**"), the unaudited consolidated statement of profit or loss of the CFE Group for the six months ended 30 June 2016 and 30 June 2017 as contained in the interim report of the CFE Group for the six months ended 30 June 2017 (the "**2017 Interim Report**"), the unaudited consolidated statement of profit or loss of the CFE Group for the nine months ended 30 September 2016 and the audited consolidated statement of profit or loss of the CFE Group for the nine months ended 30 September 2017 as set out in Appendix II to the Circular:

Consolidated statement of profit and loss

	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016	For the year ended 31 December 2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Audited)*
Revenue	323,997	335,621	249,455	228,847	471,252	565,178	449,249
Cost of sales	(252,583)	(264,391)	(198,818)	(181,747)	(363,991)	(453,369)	(374,390)
Gross profit	71,414	71,230	50,637	47,100	107,261	111,809	74,859
Other income	5,684	3,683	4,813	2,202	6,047	6,889	4,578
Selling and distribution costs	(13,745)	(8,916)	(9,579)	(7,832)	(14,779)	(18,469)	(19,444)
Administrative expenses	(52,714)	(52,467)	(37,244)	(31,211)	(58,914)	(59,663)	(62,454)
Finance costs	(131)	(1,269)	(131)	(1,103)	(1,400)	(4,538)	(5,865)
Other expenses	–	–	–	–	(16,224)	–	(223)
Share of profit/(loss) of associates	13,611	(3,960)	4,921	(1,772)	2,881	15,137	(208)
Profit/(loss) before tax	24,119	8,301	13,417	7,384	24,872	51,165	(8,757)
Income tax expense	(5,949)	(6,142)	(5,611)	(4,287)	(7,586)	(8,136)	(5,475)
Profit/(loss) for the year/ period from continuing operations	18,170	2,159	7,806	3,097	17,286	43,029	(14,232)
Discontinued operations							
Loss for the year from discontinued operations	–	–	–	–	–	(12,585)	(487,807)
Profit/(loss) for the year/ period	18,170	2,159	7,806	3,097	17,286	30,444	(502,039)
Profit/(loss) for the year/ period attributable to:							
Owners of the Company	18,170	2,159	7,806	3,097	17,286	18,611	(503,854)
Non-controlling interests	–	–	–	–	–	11,833	1,815
Earnings/(loss) per share (RMB cents)							
From continuing and discontinued operations							
Basic and diluted	0.45	0.05	0.19	0.08	0.42	0.54	(17.65)
From continuing operations							
Basic and diluted	0.45	0.05	0.19	0.08	0.42	0.91	(0.56)

Revenue for FY2015 amounted to approximately RMB565.18 million as compared with that of RMB449.25 million for the financial year ended 31 December 2014 ("**FY2014**"), representing an increase of approximately 25.81%. The increase for FY2015 was mainly due to the increase in the number of fire engines sold. The revenue growth and higher profit margins from new products launched drove the increase in profit for FY2015.

During FY2015, the CFE Group launched newly developed fire engines that were particularly designed for densely populated cities. The new fire engines were smaller in size than conventional types such that they may travel through narrow and congested streets in cities more easily. Through the Ziegler Acquisition in FY2015, the CFE Group had built up a strategic relationship with Ziegler and CIMC, CFE also expected to benefit from the sharing of technology, market and other resources among the three companies.

For the financial year ended 31 December 2016 ("**FY2016**"), revenue of the CFE Group decreased from approximately RMB565.18 million for the year ended 31 December 2015 ("**FY2015**") to approximately RMB471.25 million, representing a decrease of approximately 16.6%. The decrease was mainly due to (i) the adoption of the use of product inspection by client after delivery as the point of sale recognition in FY2016 which caused delay in the recognition of some sales to after FY2016, which shall not have a continuing adverse impact on revenue recognition; and (ii) the decrease in orders from customers. Despite the decrease in revenue for FY2016, the growth in sales of high-margin special vehicles such as bi-directional trucks and large-sized fire engines that equipped with advanced chassis and equipment drove up the CFE Group's overall profit margin and compensated for the profit lost from the decrease in revenue.

Profit for FY2016 amounted to approximately RMB17.29 million, representing a decrease of approximately 43.2% as compared with that for FY2015. The decrease was due to the fall in share of profit of associates and the provision for a rental dispute amounting to approximately RMB16 million for FY2016 (the "**Rental Dispute**"). The CFE Group completed the Ziegler Acquisition in July 2015. CFE has stated in its annual report that the first two quarters of a year were normally slack seasons for Ziegler and the CFE Group should have shared a loss of approximately RMB9.4 million for FY2015, had Ziegler's results for the entire year been taken into account.

For the six months ended 30 June 2017 ("**1H2017**"), the CFE Group's revenue and profit increased by approximately 9% to approximately RMB249 million and approximately 152% to approximately RMB7.8 million respectively, as compared with the corresponding figures for the six months ended 30 June 2016. The increase in revenue was mainly due to the growth in number of fire engines sold. Apart from the growth in revenue, the increase in profit was attributable to the improved performance of the CFE Group's associate, contributing to the increase in the CFE Group's share of its profit.

Profit of the CFE Group increased over 7 times to RMB18.2 million for the nine months ended 30 September 2017 as compared with the corresponding period in 2016. This was mainly attributable to the improved performance of Ziegler, giving rise to the increase in the CFE Group's share of its profit for the nine months ended 30 September 2017. Revenue of the CFE Group for the nine months ended 30 September 2017 decreased by 3.5% to RMB324.0 million as compared with the corresponding period in 2016 mainly because of the decline in number of fire engines sold.

Consolidated statement of financial position

We set out the audited consolidated statement of financial position of the CFE Group as at 30 September 2017 as set out in Appendix II to the Circular, the unaudited consolidated statement of financial position of the CFE Group as at 30 June 2017 as set out in the 2017 Interim Report and the audited consolidated financial position of the CFE Group as at 31 December 2016 as set out in the 2016 Annual Report:

	As at 30 September 2017	**As at 30 June 2017**	**As at 31 December 2016**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Audited)*
Non-current assets			
Property, plant and equipment	177,079	179,765	183,354
Prepaid land lease payments	31,959	32,158	32,555
Goodwill	7,630	7,630	7,630
Investments in associates	568,182	551,923	518,993
	784,850	771,476	742,532
Current assets			
Inventories	146,111	112,174	138,232
Trade and bills receivables	247,167	274,933	207,533
Prepayments, deposits and other receivables	92,474	91,127	83,571
Amount due from an associate	–	–	2,151
Prepaid land lease payments	794	794	794
Other current assets	8,500	–	–
Pledged bank deposits	6,675	7,396	3,270
Bank and cash balances	65,497	86,478	132,576
	567,218	572,902	568,127

	As at 30 September 2017 RMB'000 (Audited)	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Current liabilities			
Trade and other payables	224,199	232,764	226,265
Bank borrowings	–	–	10,000
Provision	16,224	16,224	16,224
Current tax liabilities	500	2,179	5,171
	240,923	251,167	257,660
Net current assets	326,295	321,735	310,467
NET ASSETS	1,111,145	1,093,211	1,052,999
Capital and reserve			
Share capital	39,977	39,977	39,977
Reserves	1,071,168	1,053,234	1,013,022
TOTAL EQUITY	1,111,145	1,093,211	1,052,999

Recent development and prospect of the CFE Group

As set out in the 2016 Annual Report, CFE stated that the market for conventional fire trucks was approaching saturation but demand for special vehicles was rising. The CFE Group focuses on developing products that cater for market needs and are able to fill market gaps in recent years. The CFE Group successfully introduced and sold bi-directional trucks in FY2016 and sold new aerial platform trucks in 2017. The CFE Group is also developing a 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, which was one of the research projects of the thirteenth national five year plan of China, and expects to launch the product during first half of 2018.

Profitability of the CFE Group was relatively volatile in the past few years. The Proposed Acquisitions represent a major development initiative of the CFE Group to expand its business and revenue base. This shall help diversify the risk of relying only on the existing fire engines and special vehicles business.

As confirmed by CFE, save for the Proposed Acquisitions, the Subscription and the significant amount of professional fees incurred by the CFE Group in respect of the Proposed Acquisitions and other actual or potential acquisition opportunities considered in 2017, the CFE Directors are not aware of any material change in the financial position or trading position or outlook of the CFE Group since 30 September 2017, being the date to which the latest published audited financial statements of the CFE Group was made up.

B. Background and information of the Pteris Group

Background of the Vendors' interests in Pteris

Pteris is a company incorporated in Singapore in 1979 and was listed on the Main Board of the Singapore Stock Exchange in 1991 and then transferred to list on Catalist of the Singapore Stock Exchange in 2014. It was subsequently delisted in September 2016 and became a private company. The CIMC Group first acquired a 14.99% interest in Pteris by way of a capital increase in August 2012 at a cash consideration of RMB73,012,500. The CIMC Group further increased its shareholding to 51.32% in August 2014 at a consideration of RMB486,331,000 through the sale of a 70% equity interest in TianDa (the "**TianDa Disposal**") by the CIMC Group to Pteris for share consideration. At such time, based on the consideration for the TianDa Disposal, TianDa was valued at a price earnings ratio of 9.8 times.

The shareholding interest held by the CIMC Group in Pteris then increased to 78.15% in September 2016 at a cash consideration of RMB395,666,861 through a voluntary unconditional general cash offer (the "**Pteris General Offer**"). The CIMC Group's total cost for acquiring the 78.15% in Pteris amounted to RMB955,010,361.

Fengqiang is a company newly set up for the purpose to acquire the shareholding interest in Pteris originally held by TGM. As at the Latest Practicable Date, Fengqiang held an approximately 21.26% equity interest in Pteris. TGM acquired its shareholding interest in Pteris through the TianDa Disposal.

Principal business of the Pteris Group

– *Pteris*

Pteris is an indirect non-wholly owned subsidiary of CIMC. Pteris Group (including TianDa Group) is one of the world's largest suppliers of passenger boarding bridges. As set out in the Frost & Sullivan Report, in 2016, the Pteris Group (including TianDa Group) ranked the second largest supplier of passenger boarding bridges in the world in terms of revenue. The Pteris Group (including TianDa Group) is also a leading integrated solutions provider of airport facility equipment in the PRC including airport logistic systems and airport apron buses. As set out in the Frost & Sullivan Report, in 2016, the Pteris Group (including TianDa Group) ranked the fifth largest supplier of airport logistic systems in terms of contract value in the PRC and the largest supplier of airport apron buses in the PRC in terms of revenue. The Pteris Group is also a leading provider of airport logistic systems in the PRC for airplane luggage and food handling, parcels and packages handling and warehouse handling.

The principal businesses of the Pteris Group include: (i) the business of passenger boarding bridges (including bridges related business) (the "**PBB Business**"), the majority of which is operated through the TianDa Group, in which Pteris indirectly owns a 70% shareholding interest; and (ii) its baggage and material handling business (the "**Pteris MHS Business**") and ground support equipment business (the "**Pteris GSE Business**"). The Pteris GSE Business includes design and manufacture of airport shuttle buses, catering trucks and airport platform vehicles.

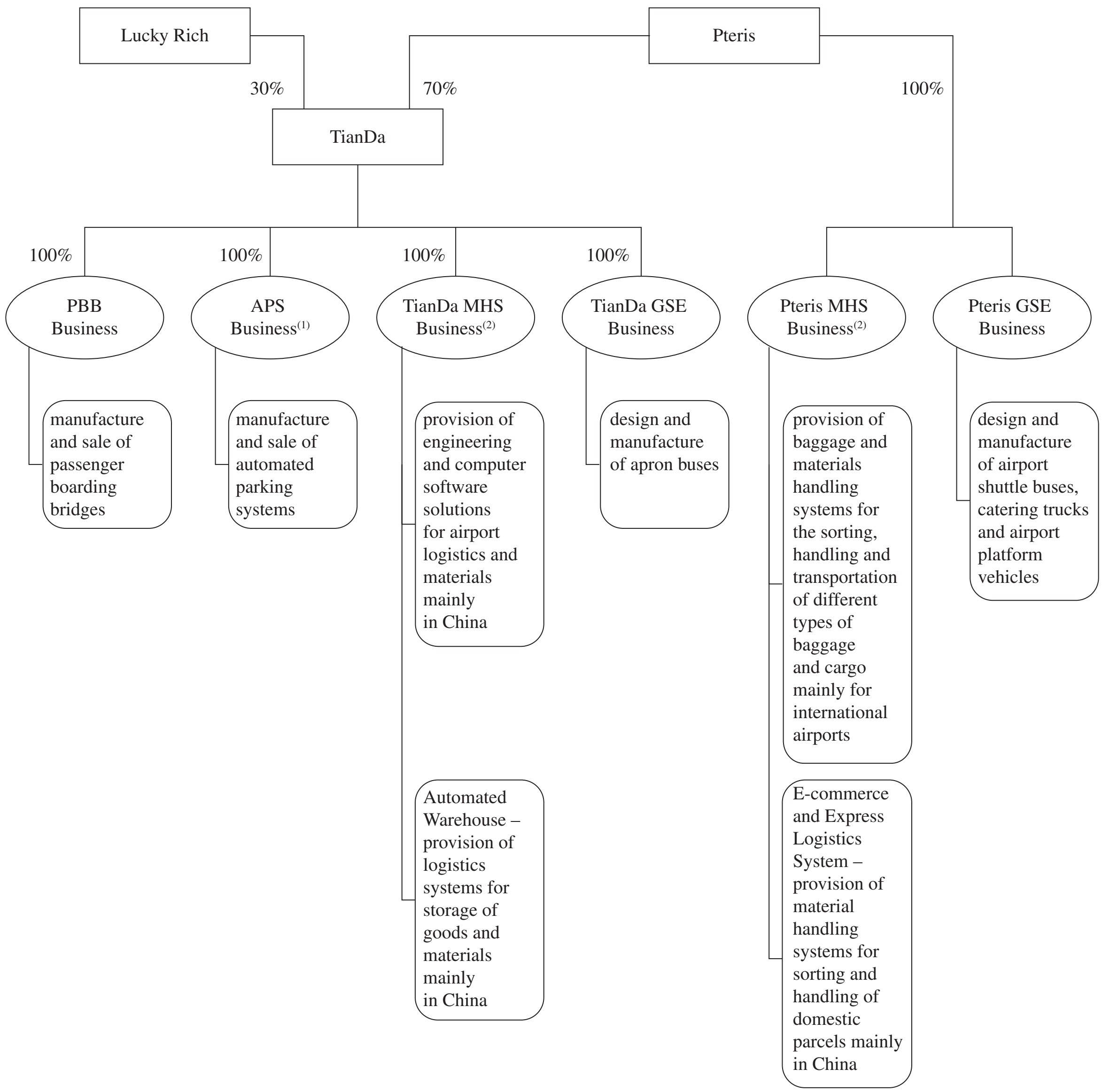
As at the Latest Practicable Date, Pteris is directly owned by Sharp Vision and Fengqiang as to approximately 78.15% and 21.26%, respectively. The remaining 0.59% was held by approximately 450 individuals and companies who did not accept the Pteris General Offer upon closing in September 2016.

– *TianDa*

TianDa is a company established in the PRC with limited liability and a 70% non-wholly owned subsidiary of Pteris. The TianDa Group is principally engaged in the design and manufacture of passenger boarding bridges, and ground support equipment. The TianDa Group's ground support equipment business includes design and manufacture of apron buses (the "**TianDa GSE Business**"). The TianDa Group is also engaged in the automated parking system business ("**APS Business**") that designs and manufactures different parking systems.

As at the Latest Practicable Date, TianDa is directly owned by Pteris and Lucky Rich as to 70% and 30%, respectively.

We set out below the organization chart showing the principal businesses of the Pteris Group as at the Latest Practicable Date:



Notes:

(1) For accounting purpose, the results of APS Business are grouped under PBB Business.

(2) In the Accountants Reports on Pteris and TianDa, MHS Business is referred to as "logistic system business".

PBB Business

As one of the world's largest suppliers of PBBs, TianDa, as a non-wholly owned subsidiary of Pteris, has successfully extended into more than 70 countries and regions including North America, Europe, Oceania, South America, Africa, Middle East and Southeast Asia and has delivered over 5,000 passenger boarding bridges to more than 200 airports around the world since its establishment in 1992. As set out in the Letter from the Board, the major customers of PBB and GSE segments include, among others, Beijing International Airport, Guangzhou Baiyun Airport, Shanghai Pudong Airport, Shanghai Hongqiao Airport, Paris-Charles de Gaulle Airport, Frankfurt Airport, Phoenix Sky Harbor International Airport, Mumbai Airport, Hong Kong International Airport and other airports in over 69 countries and regions including Australia, Europe, Africa and Latin America.

In China, TianDa has maintained its leading position in the passenger boarding bridge market and secured a RMB300 million order from Shanghai Pudong International Airport during the first half of the year 2017, which was the largest order in its domestic business.

Since FY2016, the Pteris Group (excluding TianDa Group) has also been marketing the PBB Business. It successfully entered into a number of sales contracts in FY2016. The design and construction work for those sales contracts were carried out by the TianDa Group. The Pteris Group (excluding TianDa Group) will continue to focus on securing PBB Business contracts leveraging its established market relationships with different airports.

MHS Business

Pteris Group's MHS Business is engaged in the provision of engineering and computer software solutions to commercial users in both the airline and non-airline industries and it comprises the Pteris MHS Business and the TianDa MHS Business. As set out in the Letter from the Board, the major customers in MHS Business are express delivery, logistics, production and distribution companies such as FedEx, DHL, SF Express, Jingdong, and China Post, as well as other well-known companies such as Sinopec, and BYD; the major clients of APS business are well-known real estate companies such as Vanke Real Estate, China Merchants Real Estate and Wanda Group.

(i) Pteris MHS Business

Pteris MHS Business focuses on the international market of the airline industry, such as Singapore, Middle East, U.S. and Europe and provides engineering and computer software solutions for airport logistics and materials, such as baggage and air cargo handling systems. As set out in the website of Pteris, Pteris has completed over 150 airports logistics projects spanning across 6 continents and more than 40 countries and has a proven track record as a leading airport logistics provider in the provision of airport baggage handling systems for international airports around the world. Pteris has also established a good track record on the design, construction and provision of e-commerce and express logistics systems for sorting and handling of different types of parcels used by express services providers and e-commerce companies in China on a turnkey basis.

(ii) TianDa MHS Business

TianDa MHS Business operates in the civil aviation and other industries in China. For the civil aviation industry, TianDa Group provides engineering and computer software solutions for airport logistics and materials. Apart from the civil aviation industry, the TianDa MHS Business also provides automated material handling and logistics systems for storage of goods and materials to customers in the food and beverages, pharmaceuticals, apparels, tires sales, e-commerce, and courier services industries.

GSE Business

Pteris Group manufactures and supplies ground support equipment to aviation industries worldwide, including cargo loaders and transporters, airport apron buses, aircraft deicers, container/pallet loaders and aircraft catering trucks. Pteris Group's GSE Business comprises the Pteris GSE Business and the TianDa GSE Business.

(i) Pteris GSE Business

Pteris GSE Business focuses on international markets such as South East Asia and the Middle East and is principally engaged in the design and manufacture of airport shuttle buses, catering trucks and airport platform vehicles.

(ii) TianDa GSE Business

TianDa GSE Business is principally engaged in the design and manufacture of apron buses in China.

APS Business

The Pteris Group designs and manufactures different parking systems, including shuttle transferring parking systems, vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems. Up to the Latest Practicable Date, Pteris has completed more than 300 projects with approximately 90,000 car parking spaces in China. For accounting purpose, the results of the APS Business are grouped under PBB Business.

Financial performance of the Pteris Group

We set out below the audited consolidated statement of profit or loss of the Pteris Group for the financial years ended 31 December 2014 ("**2014FY**"), 31 December 2015 ("**2015FY**"), 31 December 2016 ("**2016FY**") and the nine months ended 30 September 2017 ("**2017Q3**") and the unaudited consolidated statement of profit or loss of the Pteris Group for the nine months ended 30 September 2016 ("**2016Q3**") as set out in the "Accountant's Report of the Pteris Group" contained in Appendix III (A) to the Circular:

Pteris Group

Consolidated statement of profit or loss

	For the nine months ended 30 September		For the nine months ended 30 September	For the year ended 31 December				
	2017	% change	2016	2016	% change	2015	% change	2014
	SGD'000		*SGD'000*	*SGD'000*		*SGD'000*		*SGD'000*
	(Audited)		*(Unaudited)*	*(Audited)*		*(Audited)*		*(Audited)*
Revenue	141,376	7.44%	131,587	317,281	-7.05%	341,335	41.88%	240,581
Cost of sales	(107,911)	7.89%	(100,024)	(243,390)	-11.82%	(276,006)	49.57%	(184,528)
Gross profit	33,465	6.03%	31,563	73,891	13.11%	65,329	16.55%	56,053
Other income	8,204	14.36%	7,174	11,910	0.52%	11,848	282.19%	3,100
Selling and distribution expenses	(7,266)	-20.12%	(9,096)	(12,409)	3.09%	(12,037)	8.86%	(11,057)
General and administrative expenses	(33,009)	-14.79%	(38,737)	(51,573)	20.11%	(42,939)	28.61%	(33,387)
Other gains/(losses) – net	(1,553)	-161.14%	2,540	7,074	227.96%	2,157	-23.05%	2,803
Operating profit/(loss)	(159)	-97.57%	(6,556)	28,893	18.62%	24,358	39.09%	17,512
Finance costs	(1,126)	-3.01%	(1,161)	(1,479)	-40.98%	(2,506)	209.77%	(809)
Profit/(loss) before income tax	(1,285)	-83.35%	(7,717)	27,414	25.45%	21,852	30.83%	16,703
Income tax (expense)	(259)	1077.27%	(22)	(4,122)	16.94%	(3,525)	4.91%	(3,360)
Profit/(loss) for the year/period	(1,544)	-80.05%	(7,739)	23,292	27.09%	18,327	37.35%	13,343
Profit/(loss) for the year/period attributable to:								
Equity holders of Pteris	(901)	-89.44%	(8,536)	14,901	12.80%	13,210	1.47%	13,019
Non-controlling interests	(643)	-180.68%	797	8,391	63.98%	5,117	1479.32%	324
	(1,544)	-80.05%	(7,739)	23,292	27.09%	18,327	37.35%	13,343

We set out below the audited consolidated statement of profit or loss of the TianDa Group for 2014FY, 2015FY, 2016FY and 2017Q3 and the unaudited consolidated statement of profit or loss of the TianDa Group for 2016Q3 as set out in the "Accountant's Report of the TianDa Group" contained in Appendix III (B) to the Circular:

TianDa Group

Consolidated statement of profit or loss

	For the nine months ended 30 September 2017	% change	For the nine months ended 30 September 2016	For the year ended 31 December 2016	% change	2015	% change	2014
	RMB'000		*RMB'000*	*RMB'000*		*RMB'000*		*RMB'000*
	(Audited)		*(Unaudited)*	*(Audited)*		*(Audited)*		*(Audited)*
Revenue	409,728	6.31%	385,410	1,134,165	0.73%	1,125,928	14.46%	983,725
Cost of sales	(308,826)	16.02%	(266,188)	(824,842)	-5.27%	(870,696)	20.01%	(725,530)
Gross profit	100,902	-15.37%	119,222	309,323	21.19%	255,232	-1.15%	258,195
Other income	29,598	38.37%	21,391	39,490	17.54%	33,596	277.06%	8,910
Selling and distribution expenses	(32,662)	-18.17%	(39,915)	(54,295)	4.47%	(51,972)	-2.10%	(53,089)
General and administrative expenses	(111,930)	20.67%	(92,757)	(146,181)	24.19%	(117,712)	7.78%	(109,213)
Other (losses)/gains – net	4,454	-27.38%	6,133	6,418	10,421.31%	61	-110.65%	(573)
Operating profit/(loss)	(9,638)	-168.48%	14,074	154,755	29.82%	119,205	14.37%	104,230
Finance costs	(4,664)	-16.18%	(5,564)	(6,928)	-13.66%	(8,024)	436.72%	(1,495)
Profit/(loss) before income tax	(14,302)	-268.06%	8,510	147,827	32.96%	111,181	8.22%	102,735
Income tax (expense)/credit	3,006	85.67%	1,619	(17,681)	23.15%	(14,357)	-2.99%	(14,800)
Profit/(loss) for the year/period	(11,296)	-211.52%	10,129	130,146	34.42%	96,824	10.11%	87,935
Profit/(loss) for the year/period attributable to:								
Equity holders of TianDa	(11,638)	-228.68%	9,044	128,541	34.00%	95,925	11.08%	86,358
Non-controlling interests	342	-68.48%	1,085	1,605	78.53%	899	-42.99%	1,577
	(11,296)	-211.52%	10,129	130,146	34.42%	96,824	10.11%	87,935

Segmental results

We set out below the breakdown of the consolidated revenue and results of the Pteris Group for 2014FY, 2015FY, 2016FY, 2016Q3 and 2017Q3:

	PBB Business	% to revenue	Net profit	MHS Business	% to revenue	Net profit	GSE Business	% to revenue	Net profit
	SGD'000		*SGD'000*	*SGD'000*		*SGD'000*	*SGD'000*		*SGD'000*
For the nine months ended 30 September 2017	63,299	44.77%	862	51,082	36.13%	(3,819)	26,995	19.09%	1,413
For the nine months ended 30 September 2016	51,950	39.48%	2,236	55,468	42.15%	(10,856)	24,169	18.37%	881
2016FY	188,007	59.26%	25,439	92,752	29.23%	(3,422)	36,522	11.51%	1,275
2015FY	192,770	56.48%	17,756	121,454	35.58%	603	27,111	7.94%	(32)
2014FY	153,917	63.98%	17,274	66,115	27.48%	(4,666)	20,549	8.54%	735

Notes:

(1) For accounting purpose, the results of APS Business is grouped under PBB Business.

(2) In the Accountants Reports on Pteris and TianDa, MHS Business is referred to as "logistics system business".

(3) Revenues stated in this table refer to revenues excluding inter-segment sales.

We further set out below the breakdown of the consolidated revenue and results of each of Pteris (excluding TianDa Group) and TianDa Group for 2014FY, 2015FY, 2016FY, 2016Q3 and 2017Q3:

Pteris (excluding TianDa Group)

	PBB Business	% to revenue	Net profit	MHS Business	% to revenue	Net profit	GSE Business	% to revenue	Net profit
	SGD'000		*SGD'000*	*SGD'000*		*SGD'000*	*SGD'000*		*SGD'000*
For the nine months ended 30 September 2017	31	0.05%	0	44,724	73.92%	(137)	15,750	26.03%	898
For the nine months ended 30 September 2016	0	0.00%	0	41,866	80.32%	(9,841)	10,259	19.68%	(23)
2016FY	5,392	6.15%	0	65,651	74.87%	(3,876)	16,646	18.98%	(20)
2015FY	0	0.00%	0	84,386	89.97%	383	9,408	10.03%	(1,163)
2014FY	0	0.00%	0	38,316	94.24%	(4,400)	2,342	5.76%	(346)

Notes:

(1) For accounting purpose, the results of APS Business is grouped under PBB Business.

(2) In the Accountants Reports on Pteris and TianDa, MHS Business is referred to as "logistics system business".

(3) Revenues stated in this table refer to revenues excluding inter-segment sales.

TianDa Group

	PBB Business RMB'000	% to revenue	Net profit RMB'000	MHS Business RMB'000	% to revenue	Net profit RMB'000	GSE Business RMB'000	% to revenue	Net profit RMB'000
For the nine months ended 30 September 2017	327,261	79.87%	4,224	21,654	5.28%	(18,045)	60,813	14.84%	2,525
For the nine months ended 30 September 2016	247,544	64.23%	10,654	64,817	16.82%	(4,835)	73,049	18.95%	4,311
2016FY	894,819	78.90%	121,777	132,476	11.68%	2,171	106,870	9.42%	6,198
2015FY	876,123	77.81%	90,680	169,345	15.04%	1,002	80,460	7.15%	5,142
2014FY	757,449	77.00%	83,974	137,768	14.00%	(1,296)	88,508	9.00%	5,257

Notes:

(1) For accounting purpose, the results of APS Business is grouped under PBB Business.

(2) In the Accountants Reports on Pteris and TianDa, MHS Business is referred to as "logistics system business".

(3) Revenues stated in this table refer to revenues excluding inter-segment sales

PBB Business

The PBB Business is the major source of revenue of the Pteris Group. Revenue from the PBB Business was all generated from the TianDa Group for 2014FY and 2015FY which represented 63.98%, 56.48%, 59.26% and 44.77% of the total revenue of the Pteris Group for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. Whilst the revenue of the PBB Business was increasing, its percentage to the total revenue of the Pteris Group dropped in recent years as revenue of other segments grew faster.

Revenue derived from the PBB Business increased from approximately SGD51.95 million for 2016Q3 to approximately SGD63.30 million for 2017Q3, representing an increase of approximately 21.85%. The increase was mainly due to the completion of projects in Harbin, the PRC and Tanzania that resulted in an increase in revenue recognised during 2017Q3.

Revenue derived from the PBB Business increased from approximately SGD153.92 million for 2014FY to approximately SGD192.77 million for 2015FY, representing an increase of approximately 25.24%. We understand from CFE that the increase was mainly due to (i) an increase in revenue from PBB Business recognized in 2015FY for the construction and sale of airport passenger boarding bridges for the Zhengzhou Xinzheng International Airport's Terminal 2 Phase 2 expansion project (the "**Zhengzhou Contract**") which was a major contract of the Pteris Group with a contract amount of RMB227 million; and (ii) an increase in revenue derived from the APS Business mainly due to the completion of two significant new projects in 2015FY.

Revenue derived from the PBB Business decreased from approximately SGD192.77 million for 2015FY to approximately SGD188.01 million for 2016FY, representing a decrease of approximately 2.47%. The decrease was mainly due to the appreciation of SGD against RMB in 2016FY when a significant portion of the underlying transactions were denominated in RMB, despite there was (i) an increase of approximately SGD2.72 million from the repair and maintenance work rendered to customers under the PBB Business; and (ii) an increase in revenue derived from the APS Business for 2015FY.

Net profit derived from the PBB Business amounted to approximately SGD17.27 million, SGD17.76 million, SGD25.44 million and SGD0.86 million for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. Net profit margin of the PBB Business amounted to approximately 11.22%, 9.21%, 13.53% and 1.36% for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. The relative low net profit margin for 2015FY was mainly due to the decrease in the revenue generated from overseas projects completed for the PBB Business in 2015FY that generated higher profit margins than those domestic projects and the increase in research and development costs of the APS Business for 2015FY. The net profit margin improved in 2016FY due to the increase in gross profit margins of completed PBB projects in 2016 in China, as well as other regions or countries like Amsterdam and Tanzania whilst the net profit was partly offset by the increase in research and development costs of the APS Business in 2016FY. CFE is of the view that TianDa's established industry leadership position helped decrease market competition and allowed TianDa to tender projects at a higher margin during 2016FY. For 2017Q3, the net profit margin decreased significantly to approximately 1.36% from approximately 4.30% for 2016Q3. CFE confirmed that the comparatively low net profit margin of the PBB Business for 2016Q3 and 2017Q3 as compared with that for 2014FY, 2015FY and 2016FY was due to the pattern that most of the projects with higher revenue tend to be completed and recognized during the fourth quarter in a year.

MHS Business

Revenue derived from the MHS Business of the Pteris Group represented approximately 27.48%, 35.58%, 29.23% and 36.13% of the total revenue of the Pteris Group for 2014FY, 2015FY, 2016FY and 2017Q3, respectively.

During 2015FY, the Pteris Group continued to carry out cross marketing to customers of the CIMC Group after completion of the 51.32% acquisition in the issued share capital of Pteris in August 2014. Revenue from the MHS Business increased from approximately SGD66.12 million for 2014FY to approximately SGD121.45 million for 2015FY, representing an increase of approximately 83.7%. The significant increase was mainly attributable to the increase of approximately SGD48.41 million recognized by the Pteris MHS Business in FY2015 from the increase in domestic and overseas sales to customers of CIMC. However, revenue derived from the MHS Business decreased from approximately SGD121.54 million for 2015FY to approximately SGD92.75 million for 2016FY, representing a decrease of approximately 23.63%. CFE stated that it was partly due to the delay of completion of certain domestic and overseas projects of approximately SGD19.85 million in 2016FY, revenue in respect of which was recognized in 2017.

Revenue derived from the MHS Business decreased from approximately SGD55.47 million for 2106Q3 to approximately SGD51.08 million for 2017Q3, representing a decrease of approximately 7.91%. The decrease was mainly due to the decrease in revenue generated from the TianDa MHS Business for 2017Q3 as more projects of the TianDa MHS Business were completed and thus more revenue was recognized in the fourth quarter of 2017 as compared with 2016.

The MHS Business of the Pteris Group recorded a loss of approximately SGD4.67 million, a profit of approximately SGD0.60 million, a loss of approximately SGD3.42 million and a loss of approximately

SGD3.82 million for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. We understand from the management of the Pteris Group that the loss of approximately SGD4.67 million for the MHS Business in 2014FY was primarily due to high cost of sales and general and administrative expenses. For FY2015, the MHS Business recorded a profit of approximately SGD0.60 million of which approximately SGD0.22 million was derived from the TianDa MHS Business and approximately SGD0.38 million was derived from the Pteris MHS Business.

In 2016FY, a net loss of approximately SGD3.42 million was recorded which was mainly due to the loss of approximately SGD3.88 million derived from the Pteris MHS Business resulting from the provision of approximately SGD2.51 million for the penalty from delay of the progress of certain international projects. The net loss of approximately SGD3.82 million for 2017Q3 decreased as compared with the net loss of approximately SGD10.86 million for 2016Q3 which was affected by the one off expenses recorded in 2016Q3 of approximately SGD6.96 million for the issue of securities (which were classified under the Pteris MHS Business segment).

The gain from the MHS Business in 2015FY was due to the recognition of profit derived from the turnkey project of supply of sorting systems to SF Express in Shanghai, Hangzhou, Tangshan and other eastern regions of China with a total contract value of approximately RMB95 million. Such contract was signed in 2015 and related profit was recognized in 2015FY in the Pteris MHS Business. We understand from CFE that Pteris is a preferred supplier of S.F. Express Co., Ltd. ("**SF Express**") and CFE expects that the Pteris Group will be able to continue to benefit from the substantial demand for local and overseas express delivery services due to, among other things, the increasing popularity of online shopping. CFE expects that the Pteris MHS Business will continue to benefit from such increasing demand of local and overseas express delivery services.

GSE Business

Revenue derived from the GSE Business of the Pteris Group represented 8.54%, 7.94%, 11.51% and 19.09% of the total revenue of the Pteris Group for 2014FY, 2015FY, 2016FY and 2017Q3, respectively.

Revenue derived from the GSE Business increased from approximately SGD20.55 million for 2014FY to approximately SGD27.11 million for 2015FY, representing an increase of approximately 31.39%. We understand from CFE that Pteris acquired the airport catering truck business of AeroMobiles Pte. Ltd. ("**AeroMobiles**") in August 2014 and acquired the loader business of CIMC Air Marrel SAS ("**Air Marrel**") in October 2015. The increase in 2015FY was mainly due to the full recognition of revenue derived from the catering truck business of AeroMobiles of approximately SGD4.73 million while it only reflected 4 months figures for 2014FY.

Revenue derived from the GSE Business increased from approximately SGD27.11 million for 2015FY to approximately SGD36.52 million for 2016FY, representing an increase of approximately 34.71%. Revenue generated from the GSE Business for 2016FY mainly comprised approximately SGD16.65 million from the Pteris GSE Business and approximately SGD22.33 million from the TianDa GSE Business. The increase was mainly (i) derived from the Pteris GSE Business resulting from the full recognition of revenue derived from the loader business of Air Marrel in 2016; and (ii) due to the increase in revenue from the TianDa GSE Business derived from overseas projects in Australia and the Philippines.

Revenue derived from the GSE Business increased from approximately SGD24.17 million for 2016Q3 to approximately SGD27.00 million for 2017Q3, representing an increase of approximately 11.71%. The increase was mainly due to the improvement of results of Air Marrel which contributed to the increase in revenue of approximately SGD5.2 million.

The GSE Business recorded a segment profit of approximately SGD0.74 million, a loss of SGD0.03 million, a segment profit of approximately SGD1.28 million, SGD0.88 million and SGD1.41 million for 2014FY, 2015FY, 2016FY, 2016Q3 and 2017Q3, respectively. The loss of the GSE Business for 2015FY was mainly due to the loss incurred by the Pteris GSE Business of approximately SGD1.16 million. Such loss was mainly due to the increase in research and development costs and marketing costs incurred in 2015FY of SGD1.43 million for the newly acquired businesses of AeroMobiles in 2015FY. In 2016FY, the GSE Business recorded a net profit due to the shutting down of the factory of AeroMobiles in Malaysia and shift of the related operations to a new production base constructed in Langfang City, China in 2015 which reduced operating costs. The increase of net profit of the GSE Business for 2017Q3 as compared with that for 2016Q3 was due to the improvement of results of the Air Marrel for 2017Q3.

On the other hand, the TianDa GSE Business recorded a net profit of approximately RMB5.26 million, RMB5.14 million, RMB6.20 million, RMB4.31 million and RMB2.53 million for 2014FY, 2015FY, 2016FY, 2016Q3 and 2017Q3, respectively. CFE confirmed that except for the drop in sales in the interim period of 2017Q3 as compared with the corresponding sales amount in 2016Q3, the increasing trend was mainly a result of the increasing number of projects for the TianDa GSE Business in recent years which in turn was mainly led by increase in demand for specialized vehicles of the GSE Business and the increase in net profit margins of certain new types of apron buses developed in 2015 and introduced to the market in 2016.

C. Information on the relevant parties to the Proposed Acquisitions

Wang Sing

Wang Sing is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CFE. Wang Sing is an investment holding company.

CFE

CFE 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 CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment.

As at the Latest Practicable Date, (i) Top Gear (a wholly-owned subsidiary of CIMC) is the direct controlling shareholder of CFE which holds approximately 30.0% of the total issued share capital of CFE; and (ii) Mr. Jiang Xiong is a substantial shareholder of CFE who holds approximately 24.07% of the total issued share capital of CFE.

Sharp Vision

Sharp Vision, a company incorporated in Hong Kong with limited liability, is an investment holding company and an indirect wholly-owned subsidiary of CIMC.

Fengqiang

Fengqiang, a company incorporated in the British Virgin Island with limited liability, is wholly-owned by TGM. A company established in the PRC which is in turn owned by the employees of the Pteris Group. Fengqiang is an investment holding company. As at the Latest Practicable Date, Mr. Zheng Zu Hua and Mr. Luan You Jun, each an executive director of CFE, hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively.

Other than Mr. Zheng Zu Hua and Mr. Luan You Jun holding 7.2% and 4.5% interests in TGM respectively, as at the Latest Practicable Date, other shareholders of TGM comprised the labour union of Pteris (which holds the shares on trust for the benefit of employees of Pteris) holding an approximately 20.1% interest in TGM and approximately 100 other individuals who are the key management personnel or technical personnel of the Pteris Group holding an approximately 68.2% interest in TGM. None of the other individual shareholders of TGM hold more than 5% of the total issued share capital of TGM.

As Fengqiang owns over 20% of Pteris which is a subsidiary of CIMC, Fengqiang is presumed to be acting in concert with CIMC. After the Pteris Completion, Fengqiang will no longer control 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC. Fengqiang will then cease to be a member of the CIMC Concert Group. Fengqiang is not a connected person of CFE.

Lucky Rich

Lucky Rich, a company incorporated in Samoa with limited liability, is an investment holding company.

As Lucky Rich owns over 20% of TianDa which is a subsidiary of CIMC, Lucky Rich is presumed to be acting in concert with CIMC as at the Latest Practicable Date. After the TianDa Completion, Lucky Rich will no longer control 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC; and Lucky Rich will then cease to be a member of the CIMC Concert Group.

Save for Mr. Zheng Zu Hua and Mr. Luan You Jun (each an executive director of CFE who holds a minority interest in TGM as described above), CFE has confirmed that each of Fengqiang, TGM, Lucky Rich and their respective ultimate beneficial owners is a third party independent of CFE and its connected persons. As at the Latest Practicable Date, each of Mr. Zheng Zu Hua and Mr. Luan You Jun did not hold any shares in CFE.

D. Principal terms of the Pteris Sale and Purchase Agreement

Date: 4 December 2017

Parties: (i) Wang Sing (as the purchaser of the Pteris Sale Shares);

(ii) CFE (as the issuer of the Consideration Shares and Convertible Bonds);

(iii) Sharp Vision (as one of the vendors of the Pteris Sale Shares); and

(iv) Fengqiang (as one of the vendors of the Pteris Sale Shares)

Wing Sing has conditionally agreed to acquire, and Sharp Vision and Fengqiang have conditionally agreed to sell 301,153,690 Pteris Shares and 81,910,701 Pteris Shares, representing approximately 78.15% and 21.26% of the issued share capital of Pteris, respectively.

The consideration

The aggregate consideration for the Proposed Pteris Acquisition is RMB3,806,530,716, of which RMB2,992,459,264 shall be payable to Sharp Vision and RMB814,071,452 shall be payable to Fengqiang, in the following manner:

If TianDa Completion does not take place on or prior to the Pteris Completion:

(i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,024,307,336 to Sharp Vision (or its nominee(s)) on the date of the Pteris Completion; and

(a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional 1,661,956,291 Consideration Shares shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 6,326,428,570 Consideration Shares and Convertible Bonds in the principal amount of RMB1,024,307,336 will be allotted and issued to Sharp Vision (or its nominee(s)); or

(b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, additional Convertible Bonds in the principal amount of RMB517,034,602 shall be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 4,664,472,279 Consideration Shares and Convertible Bonds in the principal amount of RMB1,541,341,938 will be allotted and issued to Sharp Vision (or its nominee(s)); and

(ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 956,000,000 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 to Fengqiang (or its nominee(s)) on the date of the Pteris Completion, and:

(a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional 187,679,470 Consideration Shares and Convertible Bonds in the principal amount of RMB201,367,819 shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 1,143,679,470 Consideration Shares and Convertible Bonds in the principal amount of RMB458,272,769 will be allotted and issued to Fengqiang (or its nominee(s)); or

(b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional 834,956,291 Consideration Shares shall be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 1,790,956,291 Consideration Shares and Convertible Bonds in the principal amount of RMB256,904,950 will be allotted and issued to Fengqiang (or its nominee(s)).

If TianDa Completion takes place on or prior to the Pteris Completion:

(i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,541,341,938 to Sharp Vision (or its nominee(s)); and

(ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 1,790,956,291 Consideration Shares by CFE at the issue price of HK$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 by CFE to Fengqiang (or its nominee(s)).

The number of Consideration Shares and the principal amount of Convertible Bonds to be issued by CFE to Sharp Vision and Fengqiang (or their respective nominees) vary depending if the TianDa Completion has taken place or has become unconditional and is expected to take place upon the Pteris Completion. The above payment mechanism is to ensure that CFE will be able to satisfy the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules in all scenarios. In the case of TianDa Completion, additional Consideration Shares will be issued to Lucky Rich as vendor of the TianDa Sale Interest, which will not be counted as public float of CFE. Accordingly, the number of Consideration Shares which can be issued to Sharp Vision and Fengqing has to be reduced. The TianDa Completion is subject to the satisfaction (or waiver) of the conditions precedent for the Proposed Pteris Acquisition. CFE has advised us that whilst the TianDa Equity Transfer Agreement allows the TianDa Completion to take place before the Pteris Completion, it has no intention to complete the Proposed TianDa Acquisition prior to the Pteris Completion.

The Pteris Sale and Purchase Agreement can be terminated by agreement in writing between the parties to the Pteris Sale and Purchase Agreement or will lapse in the event the conditions precedent for the Proposed Pteris Acquisition are not fulfilled (or waived by Wang Sing, as the case may be) on or before 12:00 noon on the Long Stop Date.

E. Principal terms of the TianDa Equity Transfer Agreement

Date: 4 December 2017

Parties: (i) Wang Sing (as the purchaser of the TianDa Sale Interest); and

(ii) Lucky Rich (as the vendor of the TianDa Sale Interest)

Wang Sing has conditionally agreed to acquire and Lucky Rich has conditionally agreed to sell, the TianDa Sale Interest, representing 30% of the equity interest of TianDa.

The consideration

The consideration for the Proposed TianDa Acquisition is RMB610,553,589, which shall be satisfied by the issuance of 1,014,679,470 Consideration Shares at the issue price of HK$0.366 per CFE Share and Convertible Bonds at the principal amount of RMB294,886,806 by CFE to Lucky Rich (or its nominee(s)).

TianDa Completion is subject to, amongst other things, the conditions precedent for the Proposed Pteris Acquisition having been satisfied (or waived by Wang Sing pursuant to the Pteris Sale and Purchase Agreement). In the event that the TianDa Completion takes place, it may take place either prior to or concurrently with or after the Pteris Completion. As explained above in this letter, CFE has confirmed that it has no intention to complete the Proposed TianDa Acquisition prior to the Pteris Completion. If the conditions precedent for the Proposed TianDa Acquisition are not satisfied (or waived, as applicable), the Proposed Pteris Acquisition can still proceed without the Proposed TianDa Acquisition.

The TianDa Equity Transfer Agreement can be terminated by agreement in writing between the parties to the TianDa Equity Transfer Agreement or will lapse in the event the conditions precedent for the Proposed TianDa Acquisition are not fulfilled (or waived by Wang Sing, as the case may be) on or before 12:00 noon on the Long Stop Date.

F. Basis of consideration for the Proposed Acquisitions

The aggregate consideration for the Proposed Acquisitions is RMB4,417,084,305. We understand from CFE that the consideration for each of the Proposed Pteris Acquisition and Proposed TianDa Acquisition was arrived at after arm's length negotiations between Wang Sing, CFE and/or the Vendors with reference to, among other things, the following factors:

The track record and business prospects of the Pteris Group

As set out in the Letter from the Board, the Pteris Group (including the 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. It is expected that the market demand for the products and services of the Pteris Group can increase significantly in the next few years in light of the fast growing civil aviation transportation industry, the expected large number of new civil airports in the PRC and overseas, and the promising prospects of the materials handling systems business.

1. Overview of the macro economy of China

CFE considers China as the most important market going forward. The positive outlook of the China market may help generate substantive potential growth for the Enlarged Group. We refer to the industry overview section under "Information about the Pteris Group" in Appendix I to this Circular (the "**IO Section**"), which contains certain information derived from the Frost & Sullivan Report prepared by Frost & Sullivan ("**F&S**").

As set out in the IO Section, China's economy has grown significantly over the past three decades, becoming one of the largest economies in the world. From 2012 to 2016, China's nominal GDP increased from approximately RMB54.0 trillion to approximately RMB74.4 trillion, at a CAGR of approximately 8.3%. As set out in the Frost & Sullivan Report, according to the International Monetary Fund, the Chinese economy is forecast to keep growing at a CAGR of approximately 8.5% from 2016 to 2021. China's urban household per capita disposable income has also increased from approximately RMB24,600 to approximately RMB33,600 during 2012 to 2016, representing a CAGR of approximately 8.1%.

2. Overview of the global aviation industry

As set out in the IO Section, air transport has become essential to global society. It is a driver of economic, social and cultural development worldwide and has totally changed how people travel, interact with others and do business. Due to the democratization of international air travel, the real cost of air travel has fallen by 60% over the last 40 years, making it more accessible to more people as well as a good economic means of goods delivery/transportation. According to the International Civil Aviation Organization ("**ICAO**"), the civil aviation industry directly and indirectly supports the employment of 58.1 million people, contributes over USD2.4 trillion to global GDP and carries over 3.3 billion passengers and USD6.4 trillion worth of cargo annually. ICAO estimated in 2016 that by 2030, the number of domestic and international passengers would reach 6 billion, travelling on approximately 50 million flights.

As set out in the IO Section, the global civil aviation passenger traffic amounted to approximately 3 billion in 2012, and reached approximately 3.8 billion in 2016, representing a CAGR of approximately 6.0%. F&S estimated that the global civil aviation passenger traffic will reach 4 billion in 2017 and 4.8 billion by 2021, representing a CAGR of approximately 4.8%. The global civil aviation cargo traffic amounted to approximately 47.7 million tonnes in 2012, and reached approximately 52.6 million tonnes in 2016, representing a CAGR of approximately 2.5%. F&S estimated that it will reach 54.7 million tonnes in 2017 and 64.1 million tonnes by 2021, representing a CAGR of approximately 4.0%.

3. Overview of the China's civil aviation industry

China has been the most important market for the Pteris Group's businesses in terms of revenue contributions.

As set out in the IO Section, China's civil aviation industry includes three major sectors, namely the airport operators, airline companies, and support business serving the passenger and cargo downstream sectors. We understand from CFE that the related business of the Pteris Group belongs to the support business serving passengers and cargo midstream sectors. For passenger traffic, airline companies sell tickets to travel agencies or ticketing websites, as well as passengers directly. For cargo traffic, logistics companies are the major users.

It is also stated in the IO Section that, in line with the growth of the macro economy, China's household disposable income has also increased. The increase of household disposable income has been driving the increase in demand for travel in China. Meanwhile, mass trading volume of merchandise has led to huge demand for cargo transportation. Therefore, these trends have been accelerating the development of China's civil aviation industry, including airport construction, airlines, airplanes and support businesses.

According to the China National Tourism Administration, domestic tourist arrivals in China increased from 3 billion persons in 2012 to 4.4 billion persons in 2016. The increasing demand for tourism is mainly caused by the growth of China's per capita annual disposable income.

As set out in the IO Section, during 2012 to 2016, revenue of China's civil aviation industry increased from RMB556 billion to approximately RMB639 billion in 2016, representing a CAGR of approximately 3.5%. F&S stated in the IO section that the revenue of China's civil aviation industry is estimated to reach approximately RMB756 billion in 2021, realizing a CAGR of approximately 3.4% from 2016 to 2021.

Along with the growth in China's overall economy, the civil aviation industry in China has been experiencing a steady growth. According to the Civil Aviation Administration of China ("**CAAC**"), the amount of certified transport airports in China increased from 183 in 2012 to 218 in 2016, representing a CAGR of approximately 4.5%.

According to the Ministry of Transport of China, the passenger traffic of civil aviation increased from 0.32 billion passengers in 2012 to 0.49 billion passengers in 2016, representing a CAGR of approximately 11.2%. Such growth was driven by the increasing demand for civil aviation, either for business trips or personal travel.

According to the IO Section, the China's National Development and Reform Commission issued "The 13th Five-Year Plan for Civil Aviation Industry" in 2016 to promote the further development of the civil aviation industry in China. It sets out that the number of certified transport airports is likely to increase to 260 by 2020, with growth being expected to be driven by growth of the logistics industry and tourism industry in China. China's civil aviation industry is expected to continue to focus on the improvement on safety, quality of services, innovations, technologies, etc. This will likely help drive continual demand for Pteris Group's products, such as better and safer PBBs, specialized vehicles and more advanced and efficient luggage and cargo handling logistics systems.

As set out in the Frost & Sullivan Report, the Belt and Road Initiative is a development strategy proposed by China's central government that focuses on connectivity and cooperation between countries in the Belt and Road regions, including many different countries in Europe and Asia, including infrastructure investment and support. Countries and regions in the Silk Road Economic Belt had a population of around 4.4 billion and accounted for around 30% of worldwide trade value in 2016. The

Belt and Road Initiative is expected to bring about closer ties between China and countries along the routes, fostering economic cooperation and development. Along with the further implementation of the "Belt and Road Initiative", more business opportunities for China's airport equipment manufacturers are estimated to be brought.

We set out below the breakdown of revenue by region of the Pteris Group for each of 2014FY, 2015FY, 2016FY and 2017Q3:

Pteris Group

	For the nine months ended 30 September 2017	% to total revenue	For the year ended 31 December 2016	% to total revenue	2015	% to total revenue	2014	% to total revenue
	SGD'000	*%*	*SGD'000*	*%*	*SGD'000*	*%*	*SGD'000*	*%*
	(Audited)		*(Audited)*		*(Audited)*		*(Audited)*	
Middle East	3,683	2.60%	12,671	3.99%	4,772	1.40%	27,768	11.54%
People's Republic of China	69,752	49.34%	186,034	58.64%	240,515	70.46%	134,358	55.85%
Asia	20,091	14.21%	19,674	6.20%	33,067	9.69%	23,858	9.92%
North America	12,566	8.89%	21,549	6.79%	26,611	7.80%	12,498	5.20%
South America	81	0.06%	9,226	2.91%	3,517	1.03%	3,246	1.35%
Oceania	1,987	1.41%	8,083	2.55%	4,563	1.34%	9,412	3.91%
Europe	26,585	18.80%	40,146	12.65%	19,438	5.69%	20,313	8.44%
Africa	6,631	4.69%	19,898	6.27%	8,852	2.59%	9,128	3.79%
	141,376	100.00%	317,281	100.00%	341,335	100.00%	240,581	100.00%

As set out above, China is the biggest market of the Pteris Group constituting approximately 55.85%, 70.46%, 58.64% and 49.34% of the total revenue of the Pteris Group for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. In recent years, Europe, Asia and North America have become more significant markets for the Pteris Group in respect of the PBB Business segment, and contribution of those areas increased to approximately 18.8%, 14.21% and 8.89% of the total revenue of the Pteris Group for 2017Q3, respectively from approximately 8.44%, 9.92% and 5.20% of the Pteris Group's revenue for 2014 respectively.

We set out below the breakdown of revenue by region of the TianDa Group for each of 2014FY, 2015FY, 2016FY and 2017Q3:

TianDa Group

	For the nine months ended 30 September 2017	% to total revenue	For the year ended 31 December 2016	% to total revenue	2015	% to total revenue	2014	% to total revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
	(Audited)		*(Audited)*		*(Audited)*		*(Audited)*	
Middle East	2,223	0.54%	53,188	4.69%	0	0.00%	125,188	12.73%
People's Republic of China	224,726	54.85%	757,577	66.80%	916,705	81.42%	566,558	57.59%
Asia	44,783	10.93%	41,577	3.66%	77,178	6.85%	89,395	9.09%
North America	111	0.03%	100	0.01%	6,153	0.55%	5	0.00%
South America	275	0.07%	33,140	2.92%	15,622	1.39%	14,982	1.52%
Oceania	6,068	1.48%	38,697	3.41%	20,760	1.84%	45,762	4.65%
Europe	99,048	24.17%	114,635	10.11%	49,278	4.38%	97,460	9.91%
Africa	32,494	7.93%	95,251	8.40%	40,232	3.57%	44,375	4.51%
	409,728	100.00%	1,134,165	100.00%	1,125,928	100.00%	983,725	100.00%

As set out above, China is the biggest market of the TianDa Group constituting approximately 57.59%, 81.42%, 66.80% and 54.85% of the total revenue of the TianDa Group for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. In recent years, Europe, Asia and Africa have become more significant markets for the PBB Business, and revenue of the TianDa Group derived from Europe, Asia and Africa increased to approximately 24.17%, 10.93% and 7.93% of the total revenue of the TianDa Group for 2017Q3, respectively from approximately 9.91%, 9.09% and 4.51% for 2014, respectively.

4. Overview of the global PBB market

As set out in the IO Section, driven by the development of the global civil aviation industry and continuous growth of air traffic volume, the global PBB market grew from approximately RMB2,020.3 million in 2012 to approximately RMB2,554.6 million in 2016, representing a CAGR of approximately 6%.

Looking forward, F&S expected that the global PBB market to grow at a stable pace underpinned by increasing market demand driven by increasing airline passenger traffic as well as the further airport infrastructure development in regions like the Middle East and Asia Pacific. The global PBB market is forecast to reach approximately RMB3,332.0 million in 2021, representing a CAGR of approximately 5.5% from 2016 to 2021.

In addition, as set out in the IO Section, the top three players in the global PBB market accounted for approximately 86.3% of the market and in aggregate realized total revenue of approximately RMB2,203.8 million in 2016. For the global PBB market in 2016, the top three market players were Thyssenkrupp AG ("**TAG**"), TianDa and John Bean Technologies Corporation ("**JBT**"), holding market shares of approximately 34.8%, 31.1% and 20.4%, respectively in terms of revenue.

As set out in the paragraph headed "Business of the Pteris Group", the PBB Business constituted approximately 63.98%, 56.48%, 59.26% and 44.77% of the Pteris Group's total revenue for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. We understand from CFE that it is expected that revenue generated from the China market will have a steady growth in the coming years and Pteris has also been looking into expanding its overseas business especially in the U.S. and the Middle East.

5. Overview of China's PBB market

As set out in the IO Section, a PBB is a technically demanding equipment, and China's PBB market is highly concentrated with a very limited number of manufacturers. TianDa dominated China's PBB market with a market share of 92.5% in terms of revenue in 2016.

As set out in the IO Section, revenue of the PBB market in China increased from approximately RMB336.9 million in 2012 to approximately RMB447.4 million in 2016, representing a CAGR of approximately 7.3%.

According to the Frost & Sullivan Report, in the five years from 2016 to 2021, China's PBB market is estimated to grow at a CAGR of approximately 6.1% because of an increasing upgrading demand of PBBs at existing airports, and new airport construction plans issued by CAAC. The average useful life of a PBB is around 20 years and PBBs require periodic inspection and maintenance during the service period.

We understand from CFE that TianDa has achieved a very high tender success rate in China in recent years. This has reduced competition and has improved TianDa's ability to tender projects at higher margins. The management of CFE expects that TianDa will further strengthen its dominating position in China.

6. Future prospect of the Pteris Group's PBB Business

We have discussed with the management of CFE and understand that for the PBB Business, the Pteris Group is planning to expand its market share globally, such as in the U.S., Europe and the Middle East, by leveraging the well-established overseas business network of its MHS Business and GSE Business segments. The management of CFE expects that in the coming years, leveraging on the Pteris Group's established leading position in China and established business relationships with overseas airports, and the growing demand for PBBs with a CAGR of 6.1% in China and 5.5% in the global market from 2016 to 2021 (as estimated by F&S), the prospect of the PBB Business is expected to be reasonably optimistic. In addition, given that the PBB Business has a relatively high entry barrier and requires significant technology craftsmanship and knowhow, it is difficult for new competitors to enter this industry.

6.1 New product developments

As set out in the "Information about the Pteris Group" contained in Appendix I to the Circular, the Pteris Group has recently introduced the following new products to the market:

(i) Visual Intelligent Aircraft Berth Guidance System

Visual intelligent aircraft berth guidance system is designed for aircraft to be quickly, accurately, safely and reliably parked in their designated locations. The system provides pilots through a large, bright, LED display with docking aircraft flight information, the distance to the stop line and the direction of deviation from the guide line.

The docking guidance management system (DGMS) is capable of managing each independent guidance system remotely and is also capable of connecting to the airport terminal's information management system.

(ii) Pure Automatic Boarding Bridge

The boarding bridge calculates the optimal motion path based on the distances with the aircraft door, generates the motion control instructions in real time, and drives the execution components of the boarding bridge to complete the rotation of the boarding bridge, lifting and other movements, in order to achieve automatic connection of the boarding bridge with aircraft door. At the departure of the aircraft, the boarding bridge automatically returns to the docking side. The product is a new development of boarding bridge automation and intelligence.

6.2 Expansion into the U.S. market

According to the report from AT Kearney, a global management consulting firm, the annual market demand for boarding bridges in the U.S. accounted for approximately 25% of the global demand and is the highest in the world. According to F&S, amongst the approximately 7,000 boarding bridges in the U.S. currently in use, it estimated that 2,000 of them will require maintenance or replacement in the five years from 2017 to 2021, and this will provide an estimated market size of approximately US$800 million in aggregate.

The Pteris Group has in the past been restricted by the "Buy America" clause (the 50101 clause of the United States Code) which requires manufacturing activities of boarding bridges which took place in the U.S. to account for more than 60% of the total manufacturing costs of the boarding bridge. The Pteris Group has decided to set up a production base in the U.S. to break through the abovementioned bottleneck. It is estimated that construction will start in early 2018 and products manufactured in such production base will be brought to the U.S. market in early 2019.

6.3 Expansion into the European market

As set out in the "Information about the Pteris Group" contained in Appendix I to the Circular, the Pteris Group's international marketing team cooperates with the European Operations Center to expand its sales channels in the Middle East and Africa markets.

7. Overview of the global MHS market

According to the Frost & Sullivan Report, the global MHS market showed a stable growth along with the application of more intelligent automation equipment in various industries. The revenue of the global MHS market increased from approximately US$14.8 billion in 2012 to approximately US$17.3 billion in 2016, representing a CAGR of approximately 3.9%. As set out in the report, F&S forecast that the global MHS market is likely to maintain a steady growth from 2017 to 2021, reaching approximately US$22.3 billion in 2021, representing a CAGR of approximately 5.2%. Growth in the market is expected to be driven by increasing demand from emerging markets and the increasing application of automated MHS systems in various industries.

We note that there are a number of sizeable logistic hubs development/upgrade projects in the market given the expected rise in international e-commerce and intra-Asian trade. For example, based on a news article published in the South China Morning Post on 15 November 2017, it was reported that DHL Express, one of the biggest express services providers in the world, would invest HK$2.9 billion to expand capacity of its Central Asia Hub (CAH) in Hong Kong by 50% to cater to the rapidly growing international trade demands in the region and around the world. We believe that there will likely be more similar projects in the future which will provide market participants, like the Pteris Group with significant business opportunities.

8. Overview of the China's MHS market

As set out in the IO Section, in recent years, China's e-commerce market has experienced rapid and significant growth. As a result, millions of merchandise items are being traded online every day. This is driving the increase in cargo transportation. In particular, the cross-border e-commerce market has been booming in recent years, leading to more cargo traffic at airports and requiring more cargo airline services in China.

The Frost & Sullivan Report also states that, due to the booming e-commerce industry and related logistics, China's MHS market has witnessed rapid growth and its market size in terms of revenue increased from approximately RMB27.5 billion in 2012 to approximately RMB75.8 billion in 2016 with a CAGR of approximately 28.8%. According to the Frost & Sullivan Report, the market is expected to be driven by the industrial automation transformation and increasing application of automated logistics systems in the traditional logistics industry. China's MHS market is forecast to maintain substantial growth from 2017 to 2021, reaching approximately RMB214 billion in 2021, representing a CAGR of approximately 23.1%.

9. Future prospect of the Pteris Group's MHS Business

The MHS Business recorded a loss in 2014FY. It recorded a small segment profit in 2015FY. It recorded loss again in 2016FY resulting mainly from the provision of approximately SGD2.51 million for the penalty from delay of the progress of certain international projects. If such provision was excluded, the loss in 2016FY would be decreased from approximately SGD3.42 million to approximately SGD0.91 million.

We agree with CFE that the Pteris Group has already built up its track record in the industry. For example, it has successfully completed the showcase project of supply of sorting systems for SF Express in Shanghai, Hangzhou, Tangshan and other eastern regions of China in 2015. It is a preferred supplier of SF Express. The Pteris Group is well positioned to capture the growth in this major fast growing business segment in China.

As set out in an announcement of CIMC dated 13 September 2017, CIMC entered into a strategic cooperation framework agreement with SF Express on 13 September 2017 for future cooperation with SF Express which provides, among others things, that the CIMC Group will provide SF Express and its subsidiaries with the related equipment for sorting, refrigerated delivery and pallets whereas SF Express will provide the CIMC Group with logistics-related services for express delivery. The Pteris Group will continue to be a member of the CIMC Group after the Pteris Completion. Such strategic cooperation will further enhance the prospects of the MHS Business upon completion of the Proposed Acquisitions when it will become a subsidiary of CIMC.

As set out in the "Information about the Pteris Group" contained in Appendix I to the Circular, the Pteris Group has recently introduced or plans to introduce the following new products to the market:

(i) AGV (Automated Guided Vehicles)

The Pteris Group is cooperating with two science and technology institutions and plans to launch intelligent material handling robots in the logistics and intelligent parking industries in 2018.

(ii) KTLS-II High-speed Circular Sorter

KTLS-II high-speed circular sorter is designed for conveying and sorting difficult-to-handle items (such as fragile and high-friction items) and is designed to allow sorting with efficiency.

(iii) Express Delivery Business Sorting System – 3D Intelligent Design System

In response to the fast growing express delivery and e-commerce industry, the Pteris Group has developed its 3D Intelligent Design System.

10. Overview of the global GSE market

As set out in the Frost & Sullivan Report, the global GSE market has experienced stable development in the five years from 2012 to 2016. Underpinned by growing upgrading and new deployment demand around the world, the global GSE market in the 5 years from 2012 to 2016 in aggregate amounted to approximately RMB96.7 billion, and it is expected to be worth approximately RMB111.8 billion in aggregate from 2017 to 2021 (for illustratively purpose only, equivalent to a yearly average growth of approximately 2.6%).

11. Overview of the China's GSE market

According to the Frost & Sullivan Report, the aggregate revenue of China's GSE market was approximately RMB18.4 billion from 2012 to 2016, mainly generated from the development of China's civil aviation industry and airport infrastructure construction. The revenue of China's GSE market is expected to reach in aggregate approximately RMB26.6 billion in the 5 years from 2017 to 2021, (for illustratively purpose only, equivalent to a yearly average growth approximately 8.92%) as compared with that of approximately RMB18.4 billion in the five years from 2012 to 2016.

12. Future prospect of the Pteris Group's GSE Business

Revenue derived from the GSE Business has been increasing in recent years. We understand from CFE that the Pteris Group is looking to expand the GSE Business both internationally and domestically in China.

As set out in the "Information about the Pteris Group" contained in Appendix I to the Circular, the Pteris Group plans to introduce the following new products to the market:

(i) Electric Bi-directional Shuttle Car

The Pteris Group plans to introduce electric models of its bi-directional shuttle cars and air catering vehicles.

(ii) Electric Airplane Tractor

Due to the enormous size of an airplane, airplane tractors are typically large energy consumption products. Based on the in-house lithium battery technology of, and leveraging on the electric control system advantage of the Pteris Group, the Pteris Group aims to develop an efficient and pure electric airplane tractor with long working hours.

13. Overview of the China's auto stereoscopic parking system market

As set out in the IO Section, faced with the parking shortage caused by China's increasing number of private vehicles, China's auto stereoscopic parking system market has ushered in a rapid development stage. From 2012 to 2016, the revenue of China's auto stereoscopic parking system market increased from approximately RMB7.6 billion to approximately RMB13.3 billion, with a CAGR of approximately 15%. The number of new units of stereoscopic parking systems also reached around 2.8 million during the same period. The number of car parking units in China is expected to reach over 300 million in 2021. According to the IO Section, the revenue of China's auto stereoscopic parking system market is likely to reach approximately RMB30.6 billion in 2021, representing a CAGR of approximately 18.1% from 2016 to 2021. The aggregate number of new units of stereoscopic parking systems in China in the 5 years from 2017 to 2021 is also estimated to reach around 6.2 million.

As set out in the "Information about the Pteris Group" in Appendix I to the Circular, in respect of market cooperation, the Pteris Group is actively leveraging on the brand advantage of CIMC. We understand from CFE that the Pteris Group has already reached strategic cooperation with a number of well-known state-owned enterprises, such as China Construction Steel Structure Corp. Ltd. and China

Resources Urban Transport Infrastructure Investment Co Ltd., jointly to expand into, among other things, construction projects of mechanical three-dimensional garages in cities at prefecture-level.

As set out in the "Information about the Pteris Group" in Appendix I to the Circular, in response to the growing demand for more environmentally-friendly public transportation in Shenzhen, TianDa Group has developed a new APS product, namely mechanical smart bus parking garage. The mechanical smart bus parking garage aims to make good use of a limited space and to increase the number of parking spaces through intelligent management. As compared with auto stereoscopic storage systems, CFE considers that the mechanical smart bus parking garage is equipped with the following advantages, namely, (i) maximize space utilization efficiency, (ii) convenient access to vehicles, (iii) relatively low cost to construct and operate, (iv) relatively short construction period, and (v) comprehensive intelligent control.

We summarize below the recent product development initiatives of the Pteris Group as set out in the paragraph "Prospects of new products of Pteris Group" under "Information about the Pteris Group" as set out Appendix I to the Circular:

(i) the intelligent passenger inspection transport system of the Pteris Group – an automated inspection, conveying and sorting system. This new product can help improve the airports' security inspection management as well as the level of baggage sorting and transportation management; and

(ii) in June 2017, the Pteris Group acquired 100% of the share capital of Zhengzhou Jinte Logistics Automation System Co., Ltd, a company that engages in the construction of modern logistics automation systems and high speed sorting systems engineering design, sales, research and development, production, integration, installation and maintenance. Upon the completion of this acquisition, Zhengzhou Jinte Logistics Automation System Co. Ltd. has become a subsidiary of the Pteris Group. We understand from CFE that the technology owned by Zhengzhou Jinte Logistics Automation System Co. Ltd. will enable the Pteris Group to provide higher-end products.

We are of the view that the Pteris Group will likely benefit from the above market opportunities in China and other international markets in its various different segments given (i) the above positive industry outlook; and (ii) the track record and market position and continuing business development of the Pteris Group as reflected in the financial performance and the future prospect (as discussed under the sub-paragraph "Financial performance of the Pteris Group" under the paragraph headed "Background and information of the Pteris Group") of the PBB Business, the APS Business, the MHS Business and the GSE Business.

According to the Frost & Sullivan Report, the major global PBB market, the China PBB market, the global MHS market and the China MHS market, enjoyed CAGRs of 5.5%, 6.1%, 5.2%, and 23.1% from 2016 to 2021 respectively. The global GSE market has an expected yearly average growth of approximately 2.6% in terms of the aggregate revenue for the 5 years from 2017 to 2021 and the China GSE market has an expected yearly average growth of approximately 8.92% in terms of the aggregate revenue for the 5 years from 2017 to 2021. There is also substantial potential growth in revenue of China's auto stereoscopic parking system market to approximately RMB30.6 billion in 2021, representing a forecast CAGR of approximately 18.1% from 2016 to 2021.

The expected synergies to be achieved between the CFE Group and the Pteris Group after completion of the Proposed Acquisitions

We have discussed with the management of CFE and understand from CFE that there are similarities in operations and target customers between the Pteris Group and the CFE Group. Currently, the CFE Group is mainly focused on the sale of fire trucks and related equipment to companies in the fuel and energy sector in China and domestic civil aviation airports in China. For the Pteris Group, its customers mainly include large scale companies in the energy sector and civil airports in China, and international airports.

Upon completion of the Proposed Acquisitions, CFE believes that the CFE Group will be able to realize potential synergies through the sharing of the technical know-how, suppliers' base, research & development resources, marketing channels and sales network of the Pteris Group, which would expand the CFE Group's market coverage and reduce its operational costs. The CFE Group will also be able to extend its customer base to international airports and large scale airports in China for its fire trucks. The Pteris Group will also be able to share the customer network of the CFE Group in the fuel and energy sector in China so as to introduce services such as its materials and inventory handling and logistics systems for storage of goods and materials, and its automated parking products. As set out in the Letter from the Board, as at the Latest Practicable Date, the Pteris Group has business relationships with approximately 52 China airport operators, 50 of which are not existing customers of the CFE Group but could become potential customers of the CFE Group.

Further, members of the CFE Group, as subsidiaries of CIMC, will be able to utilize the centralized financing management platform of the CIMC Group and obtain intra-group financing at lower financing costs, subject to any necessary compliance with the Listing Rules.

The valuation of a number of comparable companies listed on the PRC and overseas stock exchanges

The objective of the Proposed Acquisitions is to acquire Pteris which may continue to hold (i) 70% of the issued capital of TianDa if the Proposed TianDa Acquisition does not complete; and (ii) 100% of the issued capital of TianDa if the Proposed TianDa Acquisition completes.

Based on the consideration for the Proposed Pteris Acquisition of RMB3,806,530,716 for 99.41% of the issued share capital of Pteris, the implied consideration for 100% of the issued share capital of Pteris is RMB3,829,122,539 (the "**Implied Pteris Consideration**"). Based on (1) sum of the Implied Pteris Consideration and the consideration for the Proposed TianDa Acquisition of RMB610,553,589, and (2) the net profit after tax of the Pteris Group for the year ended 31 December 2016 of approximately RMB112,081,000 as set out in the "Unaudited pro forma financial information of the Enlarged Group" as set out in Appendix IV to the Circular, the price to earnings ratio ("**PE Ratio**") for the Proposed Acquisitions amounts to approximately 39.61 times.

If the Proposed TianDa Acquisition does not complete, based on the implied value for 100% of the issued share capital of Pteris of RMB3,829,122,539 (as explained above), and the net profit after tax attributable to the equity holders of Pteris for the year ended 31 December 2016 of approximately RMB71,703,000 as set out in the "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV, the PE Ratio for the Proposed Pteris Acquisition amounts to approximately 53.40 times.

Based on the above, the PE Ratio of the Proposed Acquisitions (or the Proposed Pteris Acquisition) shall range from 39.61 times to 53.40 times depending on whether the Proposed TianDa Acquisition completes or not.

We set out below the PE Ratios, the EV to EBIDTA ("**EV/EBIDTA**") and the price to book ratio (the "**PB Ratio**") of an exhaustive list of companies listed on the stock exchanges worldwide ("**Comparable Companies**") that we identified, on a best effort basis, based on information published by Bloomberg and the list of major global market players identified in the Frost & Sullivan Report, and which are engaged in one or more of the major business lines as the Pteris Group (being a major market player or a significant portion of its revenue was derived from the following relevant comparable business lines) including: (i) manufacturing and sale of passenger boarding bridges; (ii) provision of engineering and computer software solutions for logistics and provision of baggage and materials handling systems; and (iii) manufacturing and sale of airport ground support equipment:

	Ticker	Place of listing and the major representative index	Name	Principal business	Major business lines of Pteris Group in which the comparable company is engaged	Geographic location of the major markets for business operation	Market capitalisation as at the Latest Practicable Date	*Equivalent to RMB'mil*	Average growth in revenue in the last 5 years	Average growth in profit in the last 5 years	PE Ratio	EV/ EBITDA *(note 3)*	PB ratio	PE Ratio of the major representative index	Dividend yield
1.	JBT US	New York, Dow Jones Industrial Average	John Bean Technologies Corporation	(i) food technology related business which consists of design, manufacture and service of technologically sophisticated food processing systems; and (ii) aero technology related business which consists of design, manufacture and service of technologically sophisticated airport ground support and gate equipment and provides services for airport authorities airlines, airfreight, and ground handling companies; the defense contractors and other industries	PBB Business	USA	USD3,704.00 mil	23,420.39	12.26%	17.33%	37.87	20.52	8.38	20.46	0.34%
2.	TKA GY	Germany, Deutsche Boerse AG German Stock Index DAX	Thyssenkrupp AG	Manufacturing of industrial components and elevator (including the manufacturing of passenger boarding bridges), industrial solutions, global distribution of materials, and the provision of technical services for the production and manufacturing sectors, steel making, etc and development and management of real estate; and design and construction of factories	PBB Business	Germany, North and Central America, Western Europe and Africa	EUR13,484.04 mil	105,108.09	0.65%	N/A	41.52	7.35	4.88	16.59	0.69%
3.	INRN SW	Switzerland, Swiss Market Index	Interroll Holding AG	Production of components and systems for the storage and distribution of goods; and provision of solutions for storage, distribution, and commissioning of goods	MHS Business	Europe, USA and Asia	CHF1,403.98 mil	9,352.33	8.10%	14.76%	39.15	21.29	6.03	29.78	0.98%
4.	603066 CH	Shanghai, Shanghai Stock Exchange Composite Index	Nanjing Inform Storage Equipment Co Ltd *(note 5)*	Manufacturing of racks and shelves for storage; and provision of automatic system integration and warehouse operation services	MHS Business	China	CNY3,377.16 mil	3,377.16	2.95%	10.09%	39.05	28.61 *(note 4)*	3.96	17.07	0.09%
5.	KARN SW	Switzerland, Swiss Market Index	Kardex AG	Provision of products and services in the logistics of dynamic storage and retrieval systems, static storage systems and automated warehouse and materials handling systems	MHS Business	Europe	EUR1,043.55 mil	8,134.47	-4.83%	59.33%	27.88	15.83	6.02	29.78	2.67%
6.	6383 JP	Tokyo, Nikkei 225	Daifuku Co. Ltd	Design, manufacturing and sale of material handling equipment including automated storage systems, conveyors and automatic sorters	MHS Business	Japan, North America, China and Korea	JPY815,368.90 mil	48,432.91	10.13%	68.77%	31.65	19.50	4.54	16.01	1.01%
7.	300486 CH	Shenzhen, Shenzhen Stock Exchange Component Index	Shanxi Oriental Material Handling Co Ltd	Design, manufacturing, installing and sale of complete sets of logistics equipment	MHS Business	China	CNY2,742.53 mil	2,742.53	-14.47% *(note 1)*	N/A *(note 1)*	79.10	167.02 *(note 4)*	4.11	26.30	0.00%
8.	300532 CH	Shenzhen, Shenzhen Stock Exchange Component Index	New Trend International Logis-Tech Co., Ltd.	Design, development and sale of logistics systems, software, and other related equipment	MHS Business	China	CNY4,225.03 mil	4,225.03	6.68% *(note 2)*	-2.38% *(note 2)*	35.17	71.44 *(note 4)*	3.15	26.30	1.22%
9.	002111 CH	Shenzhen, Shenzhen Stock Exchange Component Index	Weihai Guangtai Airport Equipment Co., Limited	Manufacturing and marketing of ground equipments for airport	GSE Business	China	CNY4,963.76 mil	4,963.76	19.77%	17.43%	25.23	17.62 *(note 4)*	1.80	26.30	1.15%
10.	TXT US	New York, Dow Jones Industrial Average	Textron Inc.	Manufacturing and sale of airplanes, helicopters, weapons, and automotive products; and offering asset based lending, aviation, distribution, golf, and resort finance, as well as structured capital	GSE Business	USA and Europe	USD15,663.74 mil	99,041.83	3.02%	-12.04%	24.58	11.81	2.80	20.46	0.13%
						Maximum		**105,108.09**			**79.10**	**167.02**	**8.38**	**29.78**	**2.67%**
						Minimum		**2,742.53**			**24.58**	**7.35**	**1.80**	**16.01**	**0.00%**
						Median		**8,743.40**			**36.52**	**20.01**	**4.32**	**18.77**	**0.83%**
						Average		**30,879.85**			**38.12**	**38.10**	**4.57**	**21.04**	**0.83%**
						Proposed Acquisitions *(note 6)*					**39.61**	**24.83**	**3.31**	**–**	**–**
						Proposed Pteris Acquisition *(note 6)*					**53.40**	**22.75**	**3.50**	**–**	**–**
						PE Ratio of Hong Kong Hang Seng Index					**13.94**	**–**	**–**	**–**	**–**

Source: Bloomberg

Notes:

1. The figures represent the average growth in revenue/profit in the last 4 years based on available public information.

2. The figures represent the average growth in revenue/profit in the last 3 years based on available public information.

3. EV/EBITDA ratio from Bloomberg represents the respective current enterprise value of the 10 Comparable Companies divided by their respective trailing 12 month earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") as at the Latest Practicable Date.

4. Bloomberg does not provide a trailing 12 month EBITDA as at the Latest Practicable Date for Nanjing Inform Storage Equipment Co Ltd, Shanxi Oriental Material Handling Co Ltd, New Trend International Logis-Tech Co., Ltd. and Weihai Guangtai Airport Equipment Co., Limited. We have calculated their trailing 12 month EBITDA as at the Latest Practicable Date based on their latest published EBITDA information.

5. According to the announcement of Nanjing Inform Storage Equipment Co Ltd ("Nanjing Inform") entitled "suspension of trading of shares regarding significant matter" dated 5 February 2018, Nanjing Inform was planning a significant assets reorganisation and trading in shares of Nanjing Inform has been suspended since 6 February 2018. Market capitalisation, PE Ratio, EV/EBITDA and PB Ratio of Nanjing Inform stated in this table refer to their respective figures as at 5 February 2018, being the last trading day prior to the current trading suspension of Nanjing Inform.

6. The enterprise value ("**EV**") of each of the Proposed Acquisitions and the Proposed Pteris Acquisition is the sum of their respective consideration, total debt (including short term borrowings, long term borrowings and amount due to ultimate holding company) at 30 September 2017, minority interest as at 30 September 2017 and less the cash and cash equivalent (including cash and cash equivalent, other financial assets and pledged bank deposits) as at 30 September 2017.

As set out above, we note that the principal locations of the major markets for the business operation of the Comparable Companies overlap with those of the Pteris Group. The market capitalization of the Comparable Companies as at the Latest Practicable Date (based on the exchange rate of their respective currencies of their listed exchange as at the Latest Practicable Date) ranged from RMB2,742.53 million to approximately RMB105,108.09 million, with a median of approximately RMB8,743.40 million and an average of approximately RMB30,879.85 million. The Implied Pteris Consideration of RMB3,829.12 million falls within the range of the market capitalization of the Comparable Companies as at the Latest Practicable Date. We are of the view that the Comparable Companies are generally comparable to the Pteris Group given the above analysis and the selection criteria.

As at the Latest Practicable Date, the PE Ratios of the Comparable Companies ranged from 24.58 to 79.10 times, with a median of 36.52 times and an average of 38.12 times. The PE Ratio of the Proposed Acquisitions of 39.61 times and the Proposed Pteris Acquisition of 53.40 times both fall within the range of the PE Ratios of the Comparable Companies.

As at the Latest Practicable Date, the PB Ratio of the Comparable Companies ranged from 1.80 times to 8.38 times, with a median of 4.32 times and an average of 4.57 times. The PB Ratio of the Proposed Acquisitions and the Proposed Pteris Acquisition of 3.31 times and 3.50 times respectively, fall within the range of the PB Ratios of the Comparable Companies.

As at the Latest Practicable Date, the EV/EBIDTA of the Comparable Companies ranged from 7.35 times to 167.02 times, with an average of 38.10 times and a median of 20.01 times. The EV/EBIDTA of the Proposed Acquisitions and the Proposed Pteris Acquisition of 24.83 times and 22.75 times respectively fall within the range of the Comparable Companies.

As discussed under the paragraph headed "Overview of China's PBB market" above, as set out in the IO Section, China's PBB market is highly concentrated with a very limited number of manufacturers. TianDa dominated China's PBB market with a market share of 92.5% in terms of revenue in 2016. The Pteris Group (including the TianDa Group) is the market leader in China for the PBB Business in terms of market share in 2016. The Pteris Group has also established a solid market position in the MHS Business in China, and an improving track record in the GSE Business. The promising opportunity of the PBB Business, MHS Business and GSE Business in China (which are expected to have a CAGR of 6.1% and 23.1% from 2016 to 2021 for the PBB market in China and MHS market in China respectively and a growth of 44.6% (equivalent to approximately 8.92% yearly growth) for the aggregate revenue for the 5 years from 2017 to 2021 as compared with that for the 5 years from 2012 to 2016 in the GSE market in China, as set out in the IO Section) helps justify a higher PE Ratio for the Proposed Pteris Acquisition. Each Comparable Company is unique such as each of them has its own detailed business lines, product mix, performance, business prospects, etc. and given the Comparable Companies are listed on various stock exchanges, we are of the view that valuation will be affected by the liquidity, market regulations and market perceptions of the Comparable Companies. Nevertheless, they can provide some indications on the market opinion on value of businesses in these segments.

Despite the differences in the business, sizes, industry environment, etc, among the Comparable Companies, the Comparable Companies have some essential common elements as the Pteris Group, in particular, (i) they are all companies listed on major stock exchanges; (ii) they are major market players in and/or are principally engaged in one of the business lines of the Pteris Group; and (iii) some of them are direct market competitors of the Pteris Group, therefore, this Comparable Companies analysis will provide some key indicators (such as their value as compared with the relevant stock market performance, and their relevant historical performance as compared with each other Comparable Companies) for the Independent CFE Shareholders to consider whether the consideration of the Proposed Acquisitions is fair and reasonable.

We noted that CFE and its financial adviser have identified 5 comparable transactions in addition to the Comparable Companies, 4 of which took place in 2016 and during the first quarter of 2017 based on their research and market knowledge. As confirmed by CFE, the 5 comparable transactions represent all comparable transactions that it is aware of and CFE has not arbitrarily excluded any transaction that may be comparable with the Proposed Acquisitions. We consider that the list of comparable transactions has been complied by CFE and its financial adviser based on their endeavours but may not represent an exhaustive list of transactions that can be used to compare with the Proposed Acquisitions. With regard to the comparable transactions identified by CFE and its financial adviser, we have checked the related information against available information from Bloomberg, Mergermarket, relevant information published by the related companies and newspaper articles, and we are not aware of any material inconsistency. Our findings and analysis based on the above Comparable Companies are generally consistent with CFE's analysis based on the 5 comparable transactions in terms of PE Ratios; whilst the implied EV/EBITDA of the Proposed Acquisitions and the Proposed Pteris Acquisition are higher than the range of EV/EBITDA of the comparable transactions identified by CFE. This does not materially affect our consideration for the fairness and reasonableness of the terms of the Proposed Acquisitions after we have considered, among other things, that the implied PE Ratios and EV/EBITDA of the Proposed Acquisitions and the Proposed Pteris Acquisition are comparable with the latest valuation of Comparable Companies with reference to their latest PE Ratios, EV/EBITDA and PB ratios.

Given that (i) the PE Ratio of each of the Proposed Acquisitions and the Proposed Pteris Acquisition are within the range of the PE Ratios of the Comparable Companies; (ii) the prospects of the PBB Business, the MHS Business, the GSE Business and the APS Business as discussed above; and (iii) the use of the Consideration Shares (and Convertible Bonds) to settle the consideration for the Proposed Acquisitions; and (iv) the PE Ratios of each of the Proposed Acquisitions (and the Proposed Pteris Acquisition) fall within the range of the PE Ratios of the Comparable Companies, we are of the view that the consideration for the Proposed Acquisitions is fair and reasonable so far as the Independent CFE Shareholders are concerned.

Proposed Issuance of Consideration Shares

The Consideration Shares will be issued fully paid and will rank *pari passu* in all respects with the CFE Shares in issue at the date of completion of the Proposed Acquisitions, save in respect of any distribution or other corporate action the record date for which falls before the date of completion of the Proposed Acquisitions. We understand from CFE that the Convertible Bonds are proposed to be issued, in lieu of further Consideration Shares, solely to satisfy the public float requirement under the Listing Rules. The Conversion Price of the Convertible Bonds is same as the issue price of the Consideration Shares. An application will be made by CFE to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

1. Issue price of the Consideration Shares

The price at which the Consideration Shares are to be issued and the Conversion Price was determined based on arm's length negotiations among CFE, the Pteris Vendors and Lucky Rich with reference to the historical market price of the CFE Shares. The issue price per Consideration Share and Conversion Price of HK$0.366 represents:

(i) a discount of approximately 20.4% to HK$0.46, the closing price of the CFE Shares on the Stock Exchange on 1 December 2017, being the last trading day prior to the date of the Sale and Purchase Agreements (the "**Last Trading Date Discount**");

(ii) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last five trading days prior to the date of the Sale and Purchase Agreements (the "**5-Day Discount**");

(iii) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last ten trading days prior to the date of the Sale and Purchase Agreements (the "**10-Day Discount**");

(iv) a discount of approximately 14.9% to HK$0.43, the average closing price of the CFE Shares on the Stock Exchange for the last 30 trading days prior to the date of the Sale and Purchase Agreements (the "**30-Day Discount**");

(v) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last 60 trading days prior to the date of the Sale and Purchase Agreements (the "**60-Day Discount**");

(vi) a discount of approximately 6.2% to HK$0.39, the closing price of the CFE Shares on the Stock Exchange as at the Latest Practicable Date (the "**LPD Date Discount**"); and

(vii) a premium of approximately 14.2% over the audited net asset value per CFE Share of approximately HK$0.3205 (based on the audited consolidated equity attributable to owners of the parent of approximately RMB1,111.15 million (equivalent to approximately HK$1,307.23 million) as at 30 September 2017 and the 4,078,571,430 issued CFE Shares as at the Latest Practicable Date).

2. *Share price performance and valuation of CFE Shares*

Set out below is a chart showing the daily closing price of the CFE Shares as quoted on the Stock Exchange during the 12-month period prior to the date of the Pteris Sale and Purchase Agreement and the TianDa Equity Transfer Agreement up to and including the Latest Practicable Date (the "**Review Period**"):

Source: Bloomberg

During the Review Period, the closing price of the CFE Shares fluctuated within the range between HK$0.25 per CFE Share on 20 December 2016 and HK$0.485 per CFE Share on 4 October 2017, 6 October 2017, 11 October 2017 and 13 October 2017, with an average of approximately HK$0.389 per CFE Share. During the Review Period, the closing prices of the CFE Shares were above the issue price of the Consideration Shares for 240 trading days and were below it for 71 trading days. CFE announced the Proposed Acquisitions on 4 December 2017. On 5 December 2017, the closing price of the CFE Shares dropped to HK$0.415, representing a decrease of approximately 9.78% as compared with the closing price of HK$0.46 on 4 December 2017. The closing price of the CFE Shares further dropped to HK$0.35 on 4 January 2018.

We understand from CFE that negotiation of the terms of the Sale and Purchase Agreements started in around January to February 2017. During that period, the closing prices of the CFE Shares fluctuated within the range between HK$0.275 per CFE Share on 3 January 2017 and HK$0.35 per CFE Share on 22 February 2017, 23 February 2017 and 28 February 2017, with an average of approximately HK$0.31 per CFE Share. During that period, the closing prices of the CFE Shares were all below the issue price of the Consideration Shares.

We also set out below the PE Ratio bands of CFE during the period 24 months prior to the Latest Practicable Date:

Source: Bloomberg

The PE Ratio of CFE Shares as at the Latest Practicable Date was 58.5 times. As illustrated in the chart above, since 1 January 2017, CFE Shares have had a PE Ratio ranging from 54.1 times to 93.1 times. The PE Ratio of 54.9 times based on the issue price of the Consideration Shares and the conversion price of the Convertible Bonds of HK$0.366 falls within the above range of recent year historical PE Ratio of the CFE Shares indicating a range of the CFE Shares' market value. If we exclude the provision in respect of the Rental Dispute of approximately RMB16 million made in FY2016 as set out in the paragraph headed "Information on the CFE Group" above in considering the PE Ratio of the CFE Shares, the adjusted PE Ratio of the CFE Shares would range from 31.4 times to 47.3 times (the "**Adjusted PE Ratio**") and the PE Ratio based on the issue price of the Consideration Shares and the conversion price of the Convertible Bonds would be 32.3 times.

Based on our research on Bloomberg, on a best effort basis, we set out below an exhaustive list showing all the listed companies that we are able to identify with businesses comparable with that of the CFE Group.

CFE's comparable companies with more than 50% of the revenue for the latest financial year generated from business comparable to that of the CFE Group

	Ticker	Place of listing	Name	Principal businesses	PE Ratio	Dividend yield
1.	ROS AV	Vienna Stock Exchange	Rosenbauer International Ag	Manufacturing of a variety of firefighting vehicles, equipment and accessories; produces crash-and-rescue vehicles for airports and firefighting pumps	25.2	2.3%
2.	CME MK	Bursa Malaysia Securities Berhad	CME Group Berhad	Sale, service and manufacturing of firefighting equipment, fire engines and related spare parts	N/A	0.0%
3.	6455 JP	Tokyo Stock Exchange	Morita Holdings Corporation	Development, manufacturing, and sale of ladder trucks, fire trucks, and other fire trucks and specialty vehicles	18.5	1.2%
				Maximum	**25.2**	**2.3%**
				Minimum	**18.5**	**0.0%**
				Median	**21.9**	**1.2%**
				Average	**21.9**	**1.1%**

CFE's comparable companies with less than 50% of the revenue for the latest financial year generated from business comparable to that of the CFE Group

	Ticker	Place of listing	Name	Principal businesses	PE Ratio	Dividend yield
1.	002111 CH	Shenzhen Stock Exchange	Weihai Guangtai Airport Equipment Co Ltd	Manufacturing and sale of airport ground equipment, fire vehicles and equipment, and fire alarm equipment	25.2	1.2%
2.	300201 CH	Shenzhen Stock Exchange	Xuzhou Handler Special Vehicle Co Ltd	Manufacturing and sale of aerial work platforms, fire trucks and firefighting robots, power supply vehicles, maintenance service vehicles and other specialized vehicles	51.5	0.2%
3.	SPAR US	Nasdaq Stock Market	Spartan Motors, Inc.	Development and manufacturing of fire and rescue vehicle, and custom chassis for fire trucks, recreational vehicles, transit and school buses, step vans, and other specialty vehicles	38.2	0.6%
4.	OSK US	New York Stock Exchange	Oshkosh Corporation	Design, manufacturing and marketing of a range of specialty vehicles and vehicle bodies, including access equipment, defense trucks and trailers, fire and emergency vehicles, concrete mixers and refuse collection vehicles	17.1	1.2%
				Maximum	**51.5**	**1.2%**
				Minimum	**17.1**	**0.2%**
				Median	**31.7**	**0.9%**
				Average	**33.0**	**0.8%**

Set out below are the maximum, minimum, median and average of PE Ratios and dividend yields of the 7 CFE's comparable companies

			Maximum	**51.5**	**2.3%**
			Minimum	**17.1**	**0.0%**
			Median	**25.2**	**1.2%**
			Average	**29.3**	**0.9%**
445 HK	the Stock Exchange	China Fire Safety Enterprise Group Limited	Production and sale of fire engines, and production and sale of fire prevention and fighting equipment	58.5	0
			PE Ratio and dividend yield based on the issue price per Consideration Share and the Conversion Price of HK$0.366	54.9*	0^
			PE Ratio based on the issue price per Consideration Share and the Conversion Price of HK$0.366 and excluding the provision in respect of the Rental Dispute of approximately RMB16 million made in FY2016	32.3	

* For illustrative purpose, the PE Ratio is calculated based on (i) the earnings per CFE Share derived from the PE Ratio of 58.5 times sourced from Bloomberg and the closing price of the CFE Shares of HK$0.39 as at the Latest Practicable Date; and (ii) the issue price per Consideration Share and the Conversion Price of HK$0.366.

^ The dividend yield is calculated based on (i) the issue price per Consideration Share and the Conversion Price of HK$0.366; and (ii) CFE's annual dividend per CFE Share for FY2016. As CFE did not declare any dividend for FY2016, the implied dividend yield would be 0%.

Source: Bloomberg

Based on the above PE Ratios of the above comparable companies, we note that the PE Ratio of 54.9 times based on the issue price of the Consideration Shares and the conversion price of the Convertible Bonds of HK$0.366 is relatively high as compared with those of the comparable companies. The PE Ratio of CFE based on the issue price of the Consideration Shares and the conversion price of the Convertible Bonds is more comparable with the average and median PE Ratio of the above comparable companies when the effect of the one-off provision for the Rental Dispute in FY2016 is excluded but is still relatively higher if we only consider those comparable companies with a majority of their revenue derived from the sale of fire engines.

3. Comparing the issue price and conversion price with other market comparable transactions

Based on announcements made by listed issuers on the website of the Stock Exchange, we set out below an exhaustive list of transactions that involved an issue of shares for consideration for acquisitions under general mandate and specific mandate announced by companies listed on the Main Board and GEM Board of the Hong Kong Stock Exchange (excluding long suspended companies whose shares were suspended for over 2 years) during the period commencing from 5 August 2017 to and including the Latest Practicable Date (the "**CS Comparable Transactions**").

Date of announcement	Stock code	Name	Percentage of public shareholding immediately before allotment and issue of the consideration shares	Percentage of public shareholding immediately after allotment and issue of the consideration shares	Percentage change in public shareholding	Issue price	Premium/(discount) of issue price over/(to) the share price prior to the acquisition agreement date: Last trading day	5 days average share price	10 days average share price	30 days average share price	Method
			%	%	%	HK$	%	%	%	%	
01-Mar-18	556	Pan Asia Environmental Protection Group Limited	27.55	26.50	(3.81)	1.5	53.06	66.67	72.22	65.81	General mandate
14-Feb-18	1717	Ausnutria Dairy Corporation Ltd	38.26	35.97	(5.99)	5	3.31	3.61	1.81	4.38	Specific mandate
09-Feb-18	164	China Baoli Technologies Holdings Limited	Not provided	Not provided	N/A	0.1377	(7.58)	(10.00)	(10.06)	2.79	General mandate
07-Feb-18	1636	China Metal Resources Utilization Limited	45.24	47.26	4.47	4.80	(1.03)	(3.88)	(5.53)	(1.16)	General mandate
06-Feb-18	1269	China First Capital Group Limited	70.82	69.71	(1.57)	2.70	(8.47)	(7.85)	(9.30)	(9.83)	General mandate
05-Feb-18	8021	WLS Holdings Limited	85.29	75.79	(11.14)	0.028125	(21.88)	(17.76)	(11.83)	(12.20)	General mandate
31-Jan-18	1269	China First Capital Group Limited	70.82	70.56	(0.37)	2.58	(10.42)	(13.71)	(15.08)	(13.68)	General mandate
31-Jan-18	6128	Earthasia International Holdings Limited	44.68	37.29	(16.54)	2.79	(20.74)	(21.36)	(21.45)	(24.60)	Specific mandate
23-Jan-18	1312	Tongfang Kontafarma Holdings Limited	33.74	29.85	(11.53)	0.50	0.00	(0.40)	(0.50)	(3.88)	Specific mandate
22-Jan-18	907	Elegance Optical International Holdings Limited	75.74	60.98	(19.49)	2.50	28.21	27.81	28.27	25.73	Specific mandate
19-Jan-18	943	eForce Holdings Limited	41.31	33.93	(17.86)	0.27	8.00	0.75	9.89	99.31	Specific mandate
18-Jan-18	1196	Realord Group Holdings Limited	31.35	25.2	(19.62)	4.738	(7.82)	(7.46)	(8.74)	(9.49)	Specific mandate
17-Jan-18	8366	Zhejiang United Investment Holdings Group Limited	25.00	22.00	(12.00)	0.530	(20.90)	(17.45)	(16.54)	(14.05)	General mandate
16-Jan-18	6899	Ourgame International Holdings Limited	26.94	26.65	(1.08)	2.620	(5.07)	(5.62)	(3.82)	2.61	General mandate
16-Jan-18	6899	Ourgame International Holdings Limited	26.94	26.00	(3.49)	2.620	(5.07)	(5.62)	(3.82)	2.61	General mandate
16-Jan-18	6899	Ourgame International Holdings Limited	26.94	26.10	(3.12)	2.620	(5.07)	(5.62)	(3.82)	2.61	General mandate
15-Jan-18	381	Kiu Hung International Holdings Limited	96.57	84.54	(12.46)	0.10	85.19	73.61	73.91	77.51	General mandate
05-Jan-18	1177	Sino Biopharmaceutical Limited	57.54	50.62	(12.03)	12.73	(9.97)	(7.94)	(4.40)	6.84	Specific mandate
04-Jan-18	82	V1 Group Limited	88.70	70.02	(21.06)	0.286	37.50	35.80	35.67	27.85	Specific mandate
29-Dec-17	412	China Shandong Hi-Speed Financial Group Limited	23.75	23.40	(1.47)	0.3295	1.38	0.76	1.38	(5.00)	General mandate
29-Dec-17	572	Future World Financial Holdings Limited	Not provided	Not provided	N/A	0.145	(57.35)	(55.25)	(47.71)	(30.51)	Specific mandate
28-Dec-17	6828	Beijing Gas Blue Sky Holdings Limited	51.22	41.16	(19.64)	0.5	0.00	(0.40)	(0.60)	(1.38)	Specific mandate
27-Dec-17	8258	Shaanxi Northwest New Technology Industry Company Limited	32.74	30.73	(6.14)	0.31	3.33	3.33	6.16	6.53	General mandate
22-Dec-17	2221	New Concepts Holdings Limited	51.84	47.16	(9.03)	3.71	(18.82)	(18.21)	(15.83)	(18.61)	Specific mandate
15-Dec-17	1636	China Metal Resources Utilization Limited	45.24	46.15	2.01	3.8	0.80	2.87	12.69	21.33	General mandate
05-Dec-17	6183	China Greenfresh Group Co., Ltd.	46.05	45.12	(2.02)	1.33	0.00	(0.15)	0.00	(0.52)	General mandate
29-Nov-17	2023	China Ludao Technology Company Limited	53.7	52.4	(2.42)	1.6	(0.62)	(1.48)	(1.54)	(0.33)	General mandate
21-Nov-17	6878	Differ Group Holding Company Limited	28.89	28.33	(1.94)	0.582	2.11	0.00	(3.48)	(6.78)	Specific mandate
14-Nov-17	1808	Enterprise Development Holdings Limited	49.04	39.28	(19.90)	1.1	(19.12)	(16.16)	(12.07)	(7.41)	Specific mandate
14-Nov-17	1900	China ITS (Holdings) Co., Ltd.	Not provided	Not provided	N/A	0.503	2.65	1.41	0.40	0.27	General mandate
10-Nov-17	1460	ICO Group Limited	46.75	42.15	(9.84)	0.1512	0.80	0.00	(0.66)	(9.55)	General mandate
03-Nov-17	2310	Forebase International Holdings Limited	31.18	25.16	(19.31)	0.36	(12.20)	(10.89)	(10.11)	(10.82)	Specific mandate
26-Oct-17	340	China Mining Resources Group Limited	72.18	60.24	(16.54)	0.08	2.56	(0.74)	(3.15)	8.99	General mandate
25-Oct-17	1678	China Creative Global Holdings Limited	46.58	45.47	(2.38)	0.188	(12.15)	(12.07)	(8.91)	0.71	General mandate
18-Oct-17	472	New Silkroad Culturaltainment Limited	38.3	28.61	(25.30)	1.3	4.84	17.12	25.00	39.78	Specific mandate
13-Oct-17	578	Rosan Resources Holdings Limited	61.67	42.26	(31.47)	0.2	34.23	32.10	29.28	37.30	Specific mandate
11-Oct-17	313	Richly Field China Development Limited	49.06	39.62	(19.24)	0.086	3.61	3.12	2.63	2.63	Specific mandate
09-Oct-17	574	Pa Shun International Holdings Limited	49.75	46.73	(6.07)	0.4	(2.44)	(3.15)	(2.79)	(2.95)	General mandate
06-Oct-17	1192	Titan Petrochemicals Group Limited	42.78	35.9	(16.08)	0.24	0.84	(0.91)	(3.85)	(27.49)	General mandate
29-Sep-17	893	China Vanadium Titano-Magnetite Mining Company Limited	53.62	51.77	(3.45)	0.32	10.34	7.74	2.07	(3.90)	General mandate
28-Sep-17	1982	Nameson Holdings Limited	27.78	25.34	(8.78)	1.72	(4.44)	6.04	8.59	14.06	Specific mandate
27-Sep-17	185	ZH International Holdings Limited	42.05	25	(40.55)	0.223	9.31	7.83	7.42	4.14	Specific mandate
21-Sep-17	1253	China Greenland Broad Greenstate Group Company Limited	31.52	31.18	(1.08)	1.612	4.68	1.13	0.00	(3.63)	General mandate
19-Sep-17	232	AVIC International Holding (HK) Limited	57.5	34.11	(40.68)	0.37	2.78	1.93	1.09	(0.40)	Specific mandate
18-Sep-17	8363	SDM Group Holdings Limited	43.87	35.79	(18.42)	0.4	3.90	4.44	1.52	2.17	Specific mandate
17-Sep-17	526	Lisi Group (Holdings) Limited	30.6	25.5	(16.67)	1	(13.04)	(3.10)	10.62	39.99	General mandate
15-Sep-17	1106	Sino Haijing Holdings Limited	66.46	64.56	(2.86)	0.156	(21.21)	(19.59)	(15.68)	(16.53)	General mandate
15-Sep-17	6836	Tianyun International Holdings Limited	35.01	34.41	(1.71)	1.28	28.00	25.00	19.40	3.39	General mandate
14-Sep-17	1159	Starlight Culture Entertainment Group Limited	35.53	34.42	(3.12)	4.5	(3.85)	(4.42)	(7.29)	(2.62)	Specific mandate
08-Sep-17	3313	Artgo Holdings Limited	22.62	20.85	(7.82)	0.77	(18.95)	(19.79)	(20.21)	(21.64)	General mandate
07-Sep-17	139	China Soft Power Technology Holdings Limited	62.7	57.36	(8.52)	0.128	0.00	1.11	8.38	13.24	General mandate
01-Sep-17	601	Group Sense (International) Limited	42.49	25.12	(40.88)	0.4	11.11	8.11	6.67	6.90	Specific mandate
27-Aug-17	8135	ZMFY Automobile Glass Services Limited	33.07	28.05	(15.18)	0.43	(10.42)	(8.70)	(21.89)	(4.59)	General mandate
17-Aug-17	376	Yunfeng Financial Group Limited	28.2	21.2	(24.82)	6.5	5.35	16.32	17.90	29.21	Specific mandate
15-Aug-17	309	Xinhua News Media Holdings Limited	39.5	36.09	(8.63)	0.2928	17.59	(7.28)	2.52	(7.11)	General mandate
15-Aug-17	1636	China Metal Resources Utilization Limited	39.77	38.74	(2.59)	3	0.67	0.27	(0.60)	0.07	General mandate
11-Aug-17	223	Elife Holdings Limited	80.23	78.83	(1.74)	0.17	0.00	(1.05)	(2.63)	(6.52)	General mandate
11-Aug-17	164	China Baoli Technologies Holdings Limited	86.44	82.44	(4.63)	0.179	0.00	0.11	(2.03)	(8.22)	General mandate
08-Aug-17	1355	Legend Strategy International Holdings Group Company Limited	48.80	46.21	(5.31)	1	(20.00)	(19.48)	(19.87)	(22.00)	Specific mandate
					Maximum		85.19	73.61	73.91	99.31	
					Minimum		(57.35)	(55.25)	(47.71)	(30.51)	
					Median		0.00	(0.40)	(0.66)	(0.40)	
					Average		0.47	0.36	1.18	4.09	
					Proposed Acquisitions		(20.43)	(16.82)	(16.82)	(14.88)	

Although the CS Comparable Transactions are in different industries and the relevant subject transactions may be different from the Proposed Acquisitions, the differences among the CS Comparable Transactions as set out above, the CS Comparable Transactions have some essential common features as compared with the Proposed Acquisitions, in particular, (i) they are transactions of the companies listed on the Stock Exchange involving the issue of new shares for consideration for acquisitions; and (ii) the consideration shares were issued by relevant issuers under the CS Comparable Transactions pursuant to specific mandates. We are of the view that the CS Comparable Transactions provides a comparison for the Independent CFE Shareholders to consider whether the issue price of the Consideration Shares is fair and reasonable.

The issue price of CS Comparable Transactions showed (i) a maximum premium of 85.19% over and a maximum discount of 57.35% to the respective closing share price prior to the last trading day of the relevant agreement date of the CS Comparable Transactions, with an average premium of 0.47% and a median representing no premium over or discount to the closing price prior to the last trading day; (ii) a maximum premium of 73.61% over and a maximum discount of 55.25% to the respective 5-day average closing share price prior to the relevant agreement date of the CS Comparable Transactions, with an average premium of 0.36% and a median discount of 0.40%; (iii) a maximum premium of 73.91% over and a maximum discount of 47.71% to the respective 10-day average closing share price prior to the relevant agreement date of the CS Comparable Transactions, with an average premium of 1.18% and a median discount of 0.66%; (iv) a maximum premium of 99.31% over, a maximum discount of 30.51% to the respective 30-day average closing share price prior to the relevant agreement date of the CS Comparable Transactions, with an average premium of 4.09% and a median discount of 0.40%.

As set out in the paragraph headed "Share price performance and valuation of CFE Shares", we understand from CFE that negotiation of the Proposed Pteris Acquisition started in around January to February 2017. During that period, the closing prices of the CFE Shares fluctuated within the range between HK$0.275 per CFE Share on 3 January 2017 and HK$0.35 per CFE Share on 22 February 2017, 23 February 2017 and 28 February 2017, with an average of approximately HK$0.31 per CFE Share. During that period, the closing prices of the CFE Shares were all traded below the issue price of the Consideration Shares. We consider that the historical share price movement of the CFE Shares during the negotiation period which substantially falls within recent 12 months still provides us and the Independent CFE Shareholders with a general understanding and a reference of the market price range of the CFE Shares.

Given that (i) the Last Trading Date Discount, the 5-Day Discount, 10-Day Discount and 30-Day Discount are within the ranges of discounts of subscription prices of the CS Comparable Transactions; (ii) it is not uncommon to have a discount to the recent trading prices as shown in the CS Comparable Transactions; (iii) the issue price of the Consideration Shares is within the historical prices of CFE Shares during the period of negotiation of the Proposed Acquisitions since early 2017; (iv) the PE Ratio based on the issue price of the Consideration Shares is comparable with those of the identified comparable companies that are engaged in comparable business with CFE (as stated in the table on page 121); and (v) the issue price of the Consideration Shares represents a premium of approximately 14.2% over the net asset value per CFE Share of approximately HK$0.3205 (based on the audited consolidated net assets value as at 30 September 2017 of approximately RMB1,111.15 million (equivalent to approximately HK$1,307.23 million) and 4,078,571,430 CFE Shares in issue as at the Latest Practicable Date), we are of the view that the issue price of the Consideration Shares is reasonable so far as the Independent CFE Shareholders are concerned.

Proposed Issuance of Convertible Bonds

1. Principal terms of the Convertible Bonds

A summary of the principal terms of the Convertible Bonds is set out below:

Issuer	:	CFE
Maturity Date	:	30th anniversary of the issue date
Interest	:	The Convertible Bonds bear interest from and including the issue date at the rate of 0.1% per annum, payable annually in arrears on each anniversary from the issue date until conversion or redemption.
Status	:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of CFE and shall at all times rank *pari passu* and without any preference or priority among themselves
Transferability	:	All Convertible Bonds are transferable, except where any Convertible Bonds is intended to be transferred to a connected person of CFE, such transfer shall be subject to the consent of CFE and compliance with the requirements of the Listing Rules.
Conversion Period	:	Subject to certain conditions, each Bondholder has the right to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Bonds to be converted shall be in the minimum amount of RMB10,000,000 or the whole outstanding principal amount of the Bonds) into CFE Shares credited as fully paid at any time during the period from the issue date to the maturity date.
Conversion Price	:	The initial Conversion Price is HK$0.366, which is subject to adjustment upon any consolidation, subdivision or reclassification of the CFE Shares. The number of CFE Shares to be issued on conversion of a Convertible Bond will be determined by dividing the HK$ equivalent of the RMB principal amount of the Convertible Bond to be converted (at the agreed fixed exchange rate of HK$1:RMB0.85) by the Conversion Price in effect on the conversion date.

Restriction on Conversion Rights	:	No conversion shall take place if (i) immediately after such conversion, the public float of CFE Shares will fall below the minimum public float of stipulated under the Listing Rules or as required by the Stock Exchange; or (ii) (unless otherwise agreed in writing by CFE) if a mandatory offer obligation under Rule 26.1 of the Takeovers Code would be triggered by such conversion.
Redemption at Maturity	:	Unless previously redeemed, converted, purchased or cancelled in accordance with the terms and conditions of the Convertible Bonds, CFE will redeem each Bond at the HK$ dollar equivalent of the RMB principal amount (at the agreed fixed exchange rate of HK$1: RMB0.85), at the maturity date.
Listing	:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

2. *Discussions on the key terms of the Convertible Bonds*

As stated above, we understand from CFE that the purpose of issue the Convertible Bonds in lieu of further Consideration Shares is solely to maintain the minimum public float as required under the Listing Rules. Based on announcements made by listed issuers on the website of the Stock Exchange, we set out below an exhaustive list of transactions that involved an issue of convertible bonds as consideration for acquisitions (in conjunction with an issue of consideration shares) for the purpose of satisfying public float requirement under the Listing Rules under specific mandate announced by companies listed on the Main Board and GEM Board of the Hong Kong Stock Exchange during a period commencing from 5 August 2017 to and including the Latest Practicable Date (the "**CB Comparable Transactions**"):

									Premium/(discount) of conversion price over/(to) the share price prior to the subscription/ acquisition agreement date			
Stock code	Name	Date of announcement	Principal amount	Maturity	Interest per annum	Redemption	Transferability	Conversion price	Last trading day	5 days average share price	10 days average share price	30 days average share price
								HK$	*%*	*%*	*%*	*%*
2310	Forebase International Holdings Limited	3-Nov-17	HK$48,000,000	3 years	3%	Redemption at maturity; accept early redemption at the option of the issuer	Transferable to any third party; and transferable to connected persons of the issuer or its associates which is subject to having obtained the written consent from the issuer and prior approval of the Stock Exchange (if necessary) and full compliance with the Listing Rules.	0.36	(12.20)	(10.89)	(10.11)	(10.82)
185	ZH International Holdings Limited	27-Sep-17	HK$121,677,720	3 years	0%	Redemption at maturity; accept early redemption at the option of the bondholders upon the occurrence of an event of default	Transferable to an affiliate of the bondholder without prior written consent from the issuer; and transferable to any other person after receiving prior written consent from the issuer	0.223	9.31	7.83	7.42	4.14
601	Group Sense (International) Limited	1-Sep-17	HK$420,000,000	3 years	4%	Accept redemption under a deed of counter indemnity	Transferable, except centain convertible bonds in the aggregate amount of HK$200,000,000 being not capable of transfer or conversion, so that it may be redeemed by issuer for setting off against any payment obligations arising from the deed of counter indemnity	0.4	11.11	8.11	6.67	6.90
						Proposed Acquisitions			**11.11**	**8.11**	**7.42**	**6.90**
						Maximum			**(12.20)**	**(10.89)**	**(10.11)**	**(10.82)**
						Minimum			**2.74**	**1.68**	**1.32**	**0.08**
						Average			**(20.43)**	**(16.82)**	**(16.82)**	**(14.88)**

Although the CB Comparable Transactions are in different industries and the subject transactions may be different from the Proposed Acquisitions as set out above, the CB Comparable Transactions have some essential common elements as the Proposed Acquisitions, in particular, (i) they are transactions of the listed companies on the Stock Exchange involving the issue of convertible bonds as consideration for acquisitions; (ii) convertible bonds were issued instead of Shares in order to satisfy the minimum public float requirement under the Listing Rules; and (iii) the issue of convertible bonds were issued pursuant to specific mandates. We are of the view that the CB Comparable Transactions provide a comparison for the Independent CFE Shareholders to consider whether the issue of the Convertible Bonds in lieu of Consideration Shares is fair and reasonable.

As set out above, the convertible bonds issued by Forebase International Holdings Limited (stock code: 2310) ("**Forebase International**"), ZH International Holdings Limited (stock code: 185) ("**ZH International**") and Group Sense (International) Limited (stock code: 601) ("**Group Sense International**") were issued (in conjunction with the issue of consideration shares) for the purpose of satisfying the public float requirement under the Listing Rules. All of their convertible bonds have a maturity of 3 years, with an interest rate range from 0% to 4% per annum. The term of maturity of the Convertible Bonds is substantially longer than the convertible bonds respectively issued by Forebase, ZH International and Group Sense International; and the interest rate of the Convertible Bonds, on the other hand, is substantially lower than the convertible bonds respectively issued by Forebase International and Group Sense International.

The conversion price of the Convertible Bonds is same as the issue price of the Consideration Shares. The maturity date of the Convertible Bonds is the date falling on the 30th anniversary of the issue of the Convertible Bonds. As the issue of further Consideration Shares would breach the minimum public float requirement under the Listing Rules, the Convertible Bonds are then to be issued in lieu of further Consideration Shares. The long maturity means to provide sufficient time to the Vendors to be able to convert the Convertible Bonds into Conversion Shares. We consider that it will also be fair to compare the cost of the Convertible Bonds with the cost of equity of CFE.

The Convertible Bonds only bear a very low interest rate of 0.1% per annum.

As CFE does not have a record of dividend payment, we consider it a market acceptable method to refer to the dividend yields of comparable companies as a reference to the cost of equity. We refer to the dividend yields of such comparable companies (as shown in the table in the section headed "Share price performance and valuation of CFE Shares" above in this letter) which range from 0.0% to 2.3% as at the Latest Practicable Date, with an average of 0.9%. If we also consider the 10 Comparable Companies, their dividend yields as at the Latest Practicable Date ranged from 0% to 2.67%, with an average of 0.83%. The interest rate of the Convertible Bonds of 0.1% is much lower than the dividend yields of the Comparable Companies, which provide an indication of the cost of equity of CFE Shares.

Accounting wise, the interest expense of the Convertible Bonds will be recorded based on an effective interest rate to be assigned by CFE. We understand that for the purpose of the unaudited pro forma financial information of the Enlarged Group, the effective interest rate of the Convertible Bonds is 10.706% which was determined by Vigers Appraisal & Consulting Limited, an independent valuer, with reference to the yields of bonds issued by comparable companies of CFE and adjusted by the country difference and other risks. We understand that the effective interest rate is merely used for calculating accounting interest expenses which are notional non-monetary accounting expenses, save for the 0.1% annual coupon rate on the principal amount of the Convertible Bonds. We thus do not consider the notional interest calculation have any material impact when evaluating the fairness of the terms of the Convertible Bonds and the Proposed Acquisitions.

Having considered (i) the relative long maturity date of the Convertible Bonds; (ii) the low minimal interest rate of the Convertible Bonds; and (iii) the reason for issuing the Convertible Bonds is to maintain CFE's public float, we consider that the terms of the Convertible Bonds are fair and reasonable.

3. Proposed Conversion

As set out in the Letter from the Board, the CIMC Group will have an equity interest of 48.2% in the Company upon the Pteris Completion, the TianDa Completion and the Subscription Completion. In order for the CIMC Group to maintain an equity interest of more than 50% in the Company, Sharp Vision proposes to conduct the Proposed Conversion immediately or shortly after the Pteris Completion in accordance with the terms of the Convertible Bonds. As explained above, we are of the view that the terms of the Convertible Bonds are fair and reasonable. As such, we are also of the view that exercise of the conversion rights(which includes the Proposed Conversion)under the Convertible Bonds is fair and reasonable so far as the Independent CFE Shareholders are concerned.

G. Reasons for the Proposed Acquisitions

After completion of the Proposed Acquisitions, CFE expects to realize potential synergies through the sharing of technical know-how, supplier base, research and development resources and marketing channels with the Pteris Group, which could help potentially reduce the overall operation costs of the CFE Group as well as leveraging the close relationship between the Pteris Group and its domestic and overseas customers. In addition, the Proposed Acquisitions should facilitate the CFE Group to be able to expand its customer base and geographical regions, as well as to obtain support in marketing and distribution of the CFE Group's firefighting vehicles used in airports which are discussed above in the paragraph "Basis of Consideration for the Proposed Acquisitions".

In addition, upon completion of the Proposed Acquisitions, CFE will become a non-wholly owned subsidiary of CIMC and the CFE Group will further benefit from the extensive marketing and sales network of the CIMC Group (in addition to that of the Pteris Group), which will facilitate the CFE Group's further expansion of its market coverage, and CFE Group will also be able to utilize the centralized financing management platform of the CIMC Group and obtain intra-group financings at lower costs.

H. Subscription

The Subscription Agreement

On 6 February 2018, CFE entered into the Subscription Agreement with the Subscriber, pursuant to which CFE has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 Subscription Shares at the Subscription Price of HK$0.366 per Subscription Share.

The Subscription Shares represent (i) approximately 16.5% of the issued share capital of CFE as at the Latest Practicable Date; (ii) approximately 5.5% of the enlarged issued share capital of CFE (assuming (a) only the Pteris Completion takes place and the TianDa Completion does not take place; (b) there is no change in the issued share capital of CFE between the Latest Practicable Date and the Completion Date save for the issuance of the Consideration Shares and the Subscription Shares; and (c) there is no conversion of any Convertible Bonds); and (iii) approximately 5.5% of the enlarged issued share capital of CFE (assuming (a) both the Pteris Completion and the TianDa Completion take place; (b) there is no change in the issued share capital of CFE between the Latest Practicable Date and the Completion Date save for the issuance of the Consideration Shares and the Subscription Shares; and (c) there is no conversion of any Convertible Bonds).

The Subscription Shares will rank *pari passu* in all respects with the CFE Shares then in issue as at the date of the allotment.

Subscription Price

The Subscription Price of HK$0.366 per Subscription Share represents:

(i) a discount of approximately 3.7% to the closing price of HK$0.380 per CFE Share as quoted on the Stock Exchange on 6 February 2018, being the date on which the announcement of CFE in relation to the Subscription was issued (the "**Subscription Announcement Date**");

(ii) a discount of approximately 7.8% to the average closing price of approximately HK$0.397 per CFE Share for the last five consecutive trading days immediately prior to the Subscription Announcement Date;

(iii) a discount of approximately 7.3% to the average closing price of approximately HK$0.395 per CFE Share for the last ten consecutive trading days immediately prior to the Subscription Announcement Date; and

(iv) a premium of approximately 14.2% over the audited net asset value per CFE Share of approximately HK$0.3205 (based on the audited consolidated equity attributable to owners of the parent of approximately RMB1,111.15 million (equivalent to approximately HK$1,307.23 million) as at 30 September 2017 and the 4,078,571,430 issued CFE Shares as at the Latest Practicable Date).

The Subscription Price also equals the issue price of the Consideration Shares and the initial conversion price of the Convertible Bonds.

Conditions

Completion of the Subscription is conditional upon the following conditions having been satisfied:

(i) the Pteris Completion having taken place;

(ii) the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate having been approved by the Independent CFE Shareholders at the CFE EGM;

(iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal, in the Subscription Shares (and such listing and permission not subsequently having been revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);

(iv) no legislation, rule or regulation having been proposed or passed that would prohibit or materially restrict the implementation of the Subscription Agreement; and

(v) the warranties given by the Subscriber under the Subscription Agreement remaining true, accurate, complete and correct in all respects and not misleading in any respect up to and including the Subscription Completion Date.

CFE may, by notice in writing to the Subscriber, terminate the Subscription Agreement at any time before the Subscription Completion Date in the event that any of the conditions to the Subscription Agreement have not been fulfilled (or waived (whilst the conditions (i) to (iii) stated above cannot be waived by any party to the Subscription Agreement)) on or before the Subscription Long Stop Date.

CFE will make an application to the Stock Exchange for the listing of the Subscription Shares.

Use of proceeds

The net proceeds from the Subscription (estimated to be RMB196.4 million) are intended to be used as follows:

(i) as to approximately RMB58.8 million for the construction of a new PBB factory in the U.S.;

(ii) as to approximately RMB58.8 million for the expansion of the Pteris Group's PBB business into overseas markets such as the U.S., Canada, the Netherland and Dubai by, among other things, setting up services companies to upgrade aged passenger boarding bridges and providing general after-sales support services in the aforementioned regions;

(iii) as to approximately RMB58.8 million for research and development activities, including but not limited to those relating to intelligent visual docking guidance system(s) for the PBB business, fully automated connection systems for the PBB and GSE business segments and automated guided vehicles for the MHS and APS business segments; and

(iv) as to approximately RMB20.0 million to be used for general working capital.

Reasons for and benefits of the Subscription

The Subscriber is a limited partnership established in the PRC, which focuses on mergers and acquisitions, restructuring, and reform of state-owned enterprises in the cultural and entertainment, medical, logistics, financial, and environmental industries.

The CFE Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and facilitate the growth of the Enlarged Group. As described in the Letter from the Board in the Circular, the Pteris Group will continue to aim at consolidating its leading position in the Chinese domestic markets for PBB, ground support equipment, baggage handling systems, and automated warehouses. At the same time, the Pteris Group will further expand its international market, and will in particular concentrate its resources in the U.S. market. The CFE Directors believe that the additional funds to be raised from the Subscription could speed up the execution plan towards the Enlarged Group's goal and help capture the growth of the market.

We understand that the Enlarged Group will have a number of development and expansion plans after completion of the Proposed Acquisitions, including, among other things, the establishment of a production base in the U.S. for the PBB Business aiming at reestablishing a significant market position in the region, enhancement of the Enlarged Group's production capability, and new product developments.

Based on the proposed use of proceeds, we understand and agree that the Subscription will provide funding for the above development work which should benefit the long-term development of the Enlarged Group. Please refer to the proposed use of proceeds from the Subscription as described below in this letter and in the Letter from the Board as set out in the Circular.

Issue price of the Subscription Shares

CFE Shares closed at a price of HK$0.39 per Share as at the Latest Practicable Date. The Subscription Price represents (a) a discount of approximately 6.2% to the closing price of HK$0.39 per CFE Share as at the Latest Practicable Date; (b) a discount of approximately 3.7% to the closing price of HK$0.380 per CFE Share as quoted on the Stock Exchange on the Subscription Announcement Date; (c) a discount of approximately 7.8% to the average closing price of approximately HK$0.397 per CFE Share for the last five consecutive trading days immediately prior to the Subscription Announcement Date; and (d) a discount of approximately 7.3% to the average closing price of approximately HK$0.395 per CFE Share for the last ten consecutive trading days immediately prior to the Subscription Announcement Date.

We have searched the website of the Stock Exchange on a best efforts basis to identify below the exhaustive list of issues of new shares for cash (including placing and subscriptions, but excluding (a) issue of shares in rights issue or open offer; (b) issues involving a whitewash waiver application or which would trigger a mandatory general offer as a result); (c) shares issued to staff members as incentive and award by companies listed on the Stock Exchange; (d) cases related to restructuring of long-suspended issuers; and (e) those placing, subscription agreements which have been terminated prior to the Latest Practicable Date), with announcements published between 11 December 2017 and the date immediately prior to the Latest Practicable Date (the **"Comparable Issues"**).

It should be noted that the subject companies involved in the Comparable Issues have different principal activities, market capitalisations, profitability and financial positions as compared with those of CFE. The circumstances surrounding such issues may also be different from those relating to CFE. The table below is therefore provided for illustrative purposes only and provides a general reference for the Independent CFE Shareholders about market practice of transactions of this type.

Despite the differences in the business, sizes, industry environment, etc., among the Comparable Issues, they have some essential common elements as the Subscription, in particular, (i) they are all companies listed on the Stock Exchange; (ii) they were issue of new shares for cash; and (iii) they were conducted recently within the last 3 months, therefore, we consider that this Comparable Issue analysis will provide some valuable indicators for the Independent CFE Shareholders to consider whether the issue price of the Subscription Shares is fair and reasonable.

Issue of shares under general mandate

	Date of announcement	Stock code	Company name	Issue price	Premium/(discount) of issue price over/(to) the share price on the announcement date/last trading day	for the last 5 trading days prior to the date of agreement	for the last 10 trading days prior to the date of agreement
				HK$			
1.	7-Mar-18	1041	Lamtex Holdings Ltd.	0.43	-12.2%	-17.3%	-17.3%
2.	7-Mar-18	1140	OP Financial Investments Limited	3.33	-8.8%	-13.0%	-11.8%
3.	2-Mar-18	372	PT International Development Corporation Limited	0.42	-13.4%	-13.4%	-13.1%
4.	1-Mar-18	547	Digital Domain Holdings Limited	0.19	0.5%	10.0%	11.4%
5.	1-Mar-18	8143	Hua Xia Healthcare Holdings Limited	0.1	-15.3%	-19.4%	-17.4%
6.	26-Feb-18	8307	Medicskin Holdings Limited	0.53	0.0%	-1.1%	0.0%
7.	23-Feb-18	850	Tou Rong Chang Fu Group Limited	0.1	-12.3%	-12.4%	-12.7%
8.	21-Feb-18	2327	Meilleure Health International Industry Group Limited	0.35	-18.6%	-8.6%	-1.1%
9.	20-Feb-18	951	Chaowei Power Holdings Limited	4.48	-17.8%	-19.4%	-10.3%
10.	15-Feb-18	3330	Lingbao Gold Group Company Ltd.	1.276	-20.3%	-17.1%	-18.7%
11.	14-Feb-18	1532	China Partytime Culture Holdings Limited	0.53	7.1%	19.1%	12.1%
12.	14-Feb-18	1421	Kingbo Strike Limited	0.195	-4.9%	-4.5%	-5.0%
13.	13-Feb-18	115	Grand Field Group Holdings Limited	0.17	-13.3%	-11.9%	-11.8%
14.	12-Feb-18	8117	China Primary Energy Holdings Limited	0.8183	-16.5%	-13.1%	-12.7%
15.	9-Feb-18	8189	Tianjin TEDA Biomedical Engineering Company Limited	0.25	-12.3%	-13.8%	-13.8%
16.	9-Feb-18	1247	Miko International Holdings Limited	0.198	-6.2%	-15.5%	-17.6%
17.	8-Feb-18	95	Lvgem (China) Real Estate Investment Company Limited	2.938	-9.9%	-8.0%	-11.7%
18.	7-Feb-18	95	Lvgem (China) Real Estate Investment Company Limited	2.938	-8.2%	-8.6%	-12.6%
19.	5-Feb-18	2882	Hong Kong Resources Holdings Company Limited	0.08	-14.9%	-12.1%	-9.9%
20.	2-Feb-18	2324	Capital VC Limited	0.05	-13.8%	-11.7%	-6.2%
21.	30-Jan-18	524	e-Kong Group Limited	0.300	-11.8%	-14.8%	-15.4%
22.	30-Jan-18	3313	Artgo Holdings Limited	0.776	3.5%	0.0%	-3.6%
23.	30-Jan-18	195	Greentech Technology International Limited	0.102	-18.4%	-19.0%	-18.7%
24.	26-Jan-18	8055	China E-information Technology Group Limited	0.350	-15.7%	-7.4%	0.6%
25.	26-Jan-18	702	Sino Oil and Gas Holdings Limited	0.053	-19.7%	-16.7%	-46.4%
26.	26-Jan-18	108	GR Properties Limited	1.000	-7.4%	-8.9%	-10.2%
27.	25-Jan-18	1266	Xiwang Special Steel Company Limited	1.590	-14.1%	-11.5%	-6.9%
28.	24-Jan-18	371	Beijing Enterprises Water Group Limited	5.900	-5.8%	-2.2%	-2.0%
29.	24-Jan-18	6828	Beijing Gas Blue Sky Holdings Limited	0.570	5.6%	4.8%	5.2%
30.	23-Jan-18	1312	Tongfang Kontafarma Holdings Limited	0.500	0.0%	-0.4%	-0.5%
31.	23-Jan-18	508	Dingyi Group Investment Limited	0.690	-19.8%	-5.2%	-9.2%
32.	22-Jan-18	353	Energy International Investments Holdings Limited	0.143	-13.9%	-14.9%	-15.3%
33.	22-Jan-18	996	Carnival Group International Holdings Limited	0.355	-1.4%	-1.4%	-2.1%
34.	21-Jan-18	1583	Qinqin Foodstuffs Group (Cayman) Company Limited	2.110	-4.5%	-1.6%	-0.5%
35.	19-Jan-18	1255	S.Culture International Holdings Limited	3.980	-0.5%	-0.9%	1.8%
36.	19-Jan-18	2607	Shanghai Pharmaceuticals Holding Co., Ltd2	20.430	-1.8%	-5.5%	-4.2%
37.	18-Jan-18	1030	Future Land Development Holdings Limited	5.860	-2.7%	-11.5%	-8.4%

Issue of shares under general mandate

	Date of announcement	Stock code	Company name	Issue price	Premium/(discount) of issue price over/(to) the share price		
					on the announcement date/last trading day	for the last 5 trading days prior to the date of agreement	for the last 10 trading days prior to the date of agreement
				HK$			
38.	17-Jan-18	1616	Starrise Media Holdings Limited	0.740	0.0%	0.5%	-1.3%
39.	17-Jan-18	1194	Munsun Capital Group Limited	0.057	-5.0%	2.2%	-1.7%
40.	17-Jan-18	2007	Country Garden Holdings Company Limited	17.130	2.0%	-5.1%	-0.8%
41.	16-Jan-18	2012	Sunshine Oilsands Ltd.	0.272	-15.0%	-13.9%	-13.0%
42.	16-Jan-18	1378	China Hongqiao Group Limited	9.600	-3.9%	-6.7%	-1.8%
43.	15-Jan-18	817	China Jinmao Holdings Group Limited	3.700	-2.1%	-7.7%	-4.4%
44.	12-Jan-18	1317	China Maple Leaf Educational Systems Limited	9.100	-2.9%	-9.4%	-4.7%
45.	11-Jan-18	1728	China ZhengTong Auto Services Holdings Limited	7.700	-12.0%	-7.2%	-5.4%
46.	4-Jan-18	2371	China Chuanglian Education Financial Group Limited	0.092	-11.5%	-13.9%	-18.7%
47.	28-Dec-17	539	Victory City International Holdings Limited	0.190	-6.4%	-5.7%	-5.0%
48.	22-Dec-17	1673	Huazhang Technology Holding Limited	3.600	-4.8%	-5.0%	-4.2%
49.	22-Dec-17	479	CIL Holdings Limited	0.100	-6.5%	-2.9%	0.5%
50.	20-Dec-17	1778	Colour Life Services Group Co., Limited	5.000	-6.0%	-1.3%	1.8%
51.	19-Dec-17	1155	Centron Telecom International Holding Limited	0.460	-16.4%	-16.7%	-17.0%
52.	19-Dec-17	1831	ShiFang Holding Limited	0.145	-19.9%	-18.8%	-20.3%
53.	19-Dec-17	1478	Q Technology (Group) Company Limited	10.800	-3.7%	-8.8%	-15.8%
54.	18-Dec-17	2768	Jiayuan International Group Limited	6.110	-7.6%	-6.6%	-6.6%
55.	18-Dec-17	2608	Sunshine 100 China Holdings Ltd	3.100	-15.8%	-10.4%	-9.8%
56.	17-Dec-17	860	O Luxe Holdings Limited	1.500	-6.3%	-4.0%	-2.8%
57.	15-Dec-17	1728	China ZhengTong Auto Services Holdings Limited	7.600	-5.0%	-4.5%	-3.7%
58.	15-Dec-17	92	Champion Technology Holdings Limited	0.860	-11.3%	-18.1%	-20.1%
59.	15-Dec-17	508	Dingyi Group Investment Limited	0.440	-20.0%	-9.7%	-9.4%
60.	15-Dec-17	8135	ZMFY Automobile Glass Services Limited	0.380	-6.2%	-6.2%	-9.1%
61.	15-Dec-17	1918	Sunac China Holdings Limited	31.100	-1.4%	-8.7%	-8.6%
62.	14-Dec-17	2309	Birmingham Sports Holdings Limited	0.140	-15.7%	-17.3%	-19.8%
63.	14-Dec-17	2012	Sunshine Oilsands Ltd.	0.264	-13.4%	-18.0%	-20.6%
64.	13-Dec-17	8300	Royal Catering Group Holdings Company Limited	0.105	4.0%	1.9%	-4.2%
65.	12-Dec-17	766	Sino Prosper (Group) Holdings Limited	0.105	-19.2%	-17.3%	-18.9%
66.	12-Dec-17	356	DT Capital Limited	0.094	-2.1%	-2.9%	-2.7%
67.	11-Dec-17	572	Future World Financial Holdings Limited	0.145	-17.6%	-10.0%	-15.3%
				Max	**7.1%**	**19.1%**	**12.1%**
				Min	**-20.3%**	**-19.4%**	**-46.4%**
				Median	**-8.2%**	**-8.7%**	**-8.6%**
				Average	**-8.8%**	**-8.4%**	**-8.6%**

Issue of shares under specific mandate

	Date of announcement	Stock code	Company name	Issue price	Premium/(discount) of issue price over/(to) the share price on the announcement date	for the last 5 trading days prior to the date of agreement	for the last 10 trading days prior to the date of agreement
				HK$			
1.	6-Mar-18	8047	China Ocean Fishing Holdings Limited	0.45	-22.4%	-20.8%	-19.8%
2.	2-Mar-18	500	Frontier Services Group Limited	1.3000	-35.0%	-28.4%	-27.1%
3.	25-Feb-18	1348	Quali-Smart Holdings Limited	0.3500	-40.7%	-39.2%	-38.6%
4.	29-Jan-18	8089	Chinese Strategic Holdings Limited	4.0000	0.5%	9.1%	28.0%
5.	10-Jan-18	299	New Sports Group Limited	0.5000	-21.9%	-32.2%	-32.9%
6.	3-Jan-18	1280	Huiyin Smart Community Co., Ltd	0.5000	-30.6%	-28.8%	-28.2%
7.	3-Jan-18	1347	Hua Hong Semiconductor Limited	12.9000	-18.6%	-20.2%	-17.7%
8.	21-Dec-17	360	New Focus Auto Tech Holdings Limited	0.4200	-38.2%	-36.7%	-32.9%
9.	13-Dec-17	650	IDG Energy Investment Group Limited	1.0000	-27.0%	-29.7%	-29.6%
				Max	**0.5%**	**9.1%**	**28.0%**
				Min	**-40.7%**	**-39.2%**	**-38.6%**
				Median	**-27.0%**	**-28.8%**	**-28.2%**
				Average	**-26.0%**	**-25.2%**	**-22.1%**

Issue of share under general mandate and specific mandate (combined)

	Max	**7.1%**	**19.1%**	**28.0%**
	Min	**-40.7%**	**-39.2%**	**-46.4%**
	Median	**-11.4%**	**-9.5%**	**-9.6%**
	Average	**-10.9%**	**-10.4%**	**-10.2%**
	The Subscription	**-3.7%**	**-7.8%**	**-7.3%**

Note:

1. The company undertook a share consolidation in November 2017, whereas every 20 existing issued and unissued shares has been consolidated into 1 consolidated share. The subscription was conditional on completion of the share consolidation and thus share prices used to calculate the average figures have been adjusted to reflect the effect of the share consolidation.

As set out in the above table, the premiums and discounts of the subscription/placing prices of the Comparable Issues over/to the respective prices before the last trading day/date of agreement ranged from a discount of approximately 40.7% to a premium of 7.1%, with an average discount of 10.9% and a median discount of 11.4%. The discount of the Subscription Price to the market price of the CFE Shares as represented by the Subscription Price is within the range of the Comparable Issues and is comparable with the average and median discount of the Comparable Issues. We consider the Subscription Price fair and reasonable.

Other fund raising alternatives

The CFE Board has explored different fund raising alternatives for the Enlarged Group. The CFE Board considers debt financing or rights issues and open offers not practicable on acceptable terms as any rights issue or open offer will involve a longer completion time and higher cost, in particular given that the present fund raising is conditional on the completion of the Proposed Pteris Acquisition. CFE believes that any rights issue or open offer should only commence after completion of the Proposed Pteris Acquisition in order to avoid any uncertainty. CFE also considers that the issue of the Subscription Shares will avoid interest expense that would be incurred if debt were raised. As disclosed in the annual report of CFE for the year ended 31 December 2016, the average interest rate of the CFE Group's bank loans for the year ended 31 December 2016 amounted to 5.315%; and based on the accountants' report of Pteris, the weighted average interest rate per annum in respect of unsecured bank borrowings of the Pteris Group for the year ended 31 December 2016 and for the nine months ended 30 September 2017 amounted to 2.66% and 4.16% respectively. The Pteris Group did not have any secured bank borrowing in 2016. For the nine months ended 30 September 2017, the weighted average interest rate per annum in respect of secured bank borrowings of the Pteris Group amounted to 4.16%.

We also understand from CFE that the Subscriber is a sizeable fund with an aggregate initial investment commitments from its investors of approximately RMB25 billion. We understand from an article in Wen Wei Po dated 13 April 2017 that the Subscriber aimed at investing in corporate mergers and reorganization opportunities, growth enterprises, state-owned enterprises with/promoting a mixed ownership structure, and overseas mergers and acquisition opportunities. We understand from CFE that one of the limited partners of the Subscribers is China Structural Reform Fund Co., Ltd. ("**Reform Fund**"). Based on available information on the website of China Structural Reform Fund Co., Ltd., its establishment was approved by the State Council. Upon its establishment, the shareholders of the Reform Fund included sizeable State owned entities namely, China Chengtong Holding Group Co., Ltd., Jianxin (Beijing) Investment Fund Management Co., Ltd., China Merchants Group Co., Ltd., China North Industrial Group Co., Ltd., China Petrochemical Corporation (Sinopec Group), Shenhua Group Corporation, China Mobile Communication Corporation, China Communication Construction Group Co., Ltd., CRRC Corporation Limited and Beijing Financial Street Investment Group Co., Ltd. The Reform Fund aims to provide state-owned enterprises with support in development, industrial consolidation, professional reorganization, capacity adjustment and international mergers and acquisitions by establishing sub-funds to invest in such sectors as well as direct investment. Also, the Reform Fund aims to play an important role in promoting development of state-own enterprises in key industries and industry optimization, improving industry concentration, and maximizing the efficiency of the use of State-owned capital. The CFE Board considers that the Subscription by the Subscriber could help enhance the image of the Enlarged Group.

Given the background of the Subscriber and its investors, we consider that the Subscription by the Subscriber in CFE may serve as an endorsement of the prospects of the Enlarged Group by a respectable investor.

In view of the above, we are of the view that the terms of Subscription are fair and reasonable so far as the Independent CFE Shareholders are concerned.

I. Financial effect of the Proposed Acquisitions and the Subscription

Upon the completion of the Proposed Acquisitions, the Pteris Group will become a 99.41% owned subsidiary of CFE and the results, assets and liabilities of the Pteris Group will be consolidated into the consolidated financial statements of the Enlarged Group.

Effects on earnings

Based on 4,078,571,430 CFE Shares in issue as at the Latest Practicable Date and the actual profit attributable to equity owners for the year ended 31 December 2016 of approximately RMB17,286,000, the profit attributable to owners of CFE per CFE Share amounted to approximately RMB0.0042.

As set out in the "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV to the Circular, assuming the Proposed Acquisitions had been completed on 1 January 2016, the profit for the year attributable to the owners of CFE would increase from approximately RMB17,286,000 to approximately RMB87,751,000.

Upon completion of the Proposed Acquisitions, assuming all of the Convertible Bonds have been fully converted and none of the CFE Share Options has been exercised, the enlarged number of CFE Shares will become 18,276,849,490 CFE Shares. Based on the pro forma profit attributable to the owners of the Enlarged Group of approximately RMB87,751,000, the profit attributable to owners of the Enlarged Group per CFE Share would increase to approximately RMB0.0048. As set out in "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV to this circular, there is an adjustment of RMB19,000,000 being the estimated total expenses for the Proposed Acquisitions (equivalent to HK$0.0010 per CFE Share (based on 18,276,849,490 CFE Shares as enlarged by the issuance of the Consideration Shares and the Conversion Shares)). If we exclude these one-off transaction expenses, the pro forma profit attributable to owners of the Enlarged Group per CFE Share would increase to approximately RMB0.0058 per CFE Share.

Given that the Convertible Bonds will not be converted at the same time due to the public float requirement under the Listing Rules, immediately upon the completion of the Proposed Acquisitions and assuming none of the Convertible Bonds has been converted and none of the CFE Share Options has been exercised, there would be 11,548,679,470 CFE Shares in issue, and the pro forma profit attributable to owners of CFE per CFE Share would be approximately RMB0.0076 per CFE Share.

Assuming the TianDa Completion had not taken place and only the Pteris Completion had taken place on 1 January 2016, the profit for the year attributable to the owners of CFE would increase from approximately RMB17,286,000 to approximately RMB51,046,000. Assuming all of the Convertible Bonds (in respect of the Proposed Pteris Acquisition) had been fully converted and none of the CFE Share Options has been exercised, the enlarged number of CFE Shares would become 16,314,285,720 CFE Shares. On this basis and based on the pro forma profit attributable to the owners of the Enlarged Group of approximately RMB51,046,000, the profit attributable to owners of the Enlarged Group per CFE Share would decrease to approximately RMB0.0031. In the pro forma accounts, there is an adjustment of RMB19,000,000 being the estimated total expenses for the Proposed Acquisitions (equivalent to HK$0.0012 per CFE Share (based on 16,314,285,720 CFE Shares as enlarged by the issuance of the Consideration Shares and the Conversion Shares in respect of the Proposed Pteris Acquisition). If we exclude these one-off transaction expenses, the pro forma profit attributable to owners of the Enlarged Group per CFE Share would increase to approximately RMB0.0043 per CFE Share.

Given that the Convertible Bonds will not be converted at the same time due to the minimum public float requirement under the Listing Rules, immediately upon the completion of the Proposed Pteris Acquisition and assuming none of the Convertible Bonds has been converted and none of the CFE Share Options has been exercised, there would be 11,548,679,470 CFE Shares in issue, and the pro forma profit attributable to owners of the Enlarged Group per CFE Share would be approximately RMB0.0044 per CFE Share.

The Subscription is conditional on the completion of the Proposed Pteris Acquisition. A major purpose of the Subscription is to raise funding for the Enlarged Group to develop the PPB business in the U.S. and other overseas markets and to continue to strengthen the Enlarged Group's product research and development capability. These business development proposals may help further improve the long-term prospects of the Enlarged Group. Without considering any potential contribution from the business development proposals based on the proposed use of proceeds from the Subscription, on a pro forma basis, the issue of the Subscription Shares would have slightly reduced the earnings per CFE Share for the year ended 31 December 2016 after completion of the Proposed Acquisitions from RMB0.0048 (before the Subscription Completion) to RMB0.0046 (after the Subscription Completion), assuming all the Convertibles Bonds had been exercised in full and none of the CFE Share Options had been exercised. If none of the Convertible Bonds (except for the Proposed Conversion) had been converted, the earnings per CFE Share for the year ended 31 December 2016 after completion of the Proposed Acquisitions would have reduced from RMB0.0067 (before the Subscription Completion) to RMB0.0064 (after the Subscription Completion).

If only the Proposed Pteris Acquisition had completed but the Proposed TianDa Acquisition had not completed, the pro forma earnings per CFE Share for the year ended 31 December 2016 after completion of the Proposed Pteris Acquisition would have slightly reduced from RMB0.0031 (before the Subscription Completion) to RMB0.0030 (after the Subscription Completion), assuming all the Convertibles Bonds had been exercised in full and none of the CFE Share Options had been exercised. The reduction of pro forma earnings per CFE Share ranged from 3.6% to 4.9%.

Effect on net asset value

As set out in the "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV to this circular, assuming the Proposed Acquisitions had been completed on 30 September 2017, the total equity attributable to the owners of the Enlarged Group would increase to approximately RMB2,377,016,000. The net asset value attributable to the owners of CFE per CFE Share would decrease from RMB0.2724 to (i) RMB0.1365 if all of the Convertible Bonds had been fully converted and none of the CFE Share Options had been exercised; and (ii) RMB0.2058 if none of the Convertible Bonds had been converted and none of the CFE Share Options had been exercised.

Assuming the TianDa Completion had not taken place and only the Pteris Completion had taken place on 30 September 2017, the total equity attributable to the owners of the Enlarged Group would increase to approximately RMB2,164,287,000. The net asset value attributable to the owners of CFE per CFE Share would decrease from RMB0.2724 to (i) RMB0.1377 if all of the Convertible Bonds had been fully converted and none of the CFE Share Options had been exercised; and (ii) RMB0.1874 if none of the Convertible Bonds had been converted and none of the CFE Share Options had been exercised.

On the same pro forma basis, the issue of the Subscription Shares would have increased the net assets per CFE Share as at 30 September 2017 after completion of the Proposed Acquisitions from RMB0.1365 (before the Subscription Completion but after the Proposed Conversion) to RMB0.1426 (after the Subscription Completion), assuming all the Convertibles Bonds had been exercised in full and none of the CFE Share Options had been exercised. If none of the Convertible Bonds (except for the Proposed Conversion) had been converted, the net assets per CFE Share as at 30 September 2017 after completion of the Proposed Acquisitions would have increased from RMB0.1842 (before the Subscription Completion but after the Proposed Conversion) to RMB0.1902 (after the Subscription Completion). If only the Proposed Pteris Acquisition had completed but the Proposed TianDa Acquisition had not completed, the pro forma net assets per CFE Share as at 30 September 2017 after completion of the Proposed Pteris Acquisition would have increased from RMB0.1378 (before the Subscription Completion but after the Proposed Conversion) to RMB0.1445 (after the Subscription Completion), assuming all the Convertibles Bonds had been exercised in full and none of the CFE Share Options had been exercised. The increase in pro forma net assets per CFE Share ranged from 3.3% to 4.9%.

J. Effect on the shareholding structure of CFE

We set out below the effect on the shareholding structure of CFE as at the Latest Practicable Date and immediately after the Pteris Completion and the Subscription Completion, assuming TianDa Completion does not take place:

	As at the Latest Practicable Date		Immediately after the Pteris Completion (assuming (i) TianDa Completion does not take place; (ii) none of the Convertible Bonds has been converted; and (iii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion (assuming (i) TianDa Completion does not take place; (ii) none of the Convertible Bonds has been converted; and (iii) all the CFE Share Options have been fully exercised)		Immediately after the Pteris Completion (assuming (i) TianDa Completion does not take place; (ii) all the Convertible Bonds have been fully converted; and (iii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion (assuming (i) TianDa Completion does not take place; (ii) all the Convertible Bonds have been fully converted; and (iii) all the CFE Share Options have been fully exercised		Immediately after the Pteris Completion, the Proposed Conversion and the Subscription Completion (assuming (i) TianDa Completion does not take place; (ii) all the Convertible Bonds have been fully converted; and (iii) none of the CFE Share Options has been exercised		Immediately after the Pteris Completion, the Proposed Conversion and the Subscription Completion (assuming (i) TianDa Completion does not take place; (ii) all the Convertible Bonds have been fully converted; and (iii) all the CFE Share Options have been fully exercised)	
	Number of CFE Shares	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*
Top Gear	1,223,571,430	30.0%	1,223,571,430	10.6%	1,223,571,430	10.5%	1,223,571,430	7.5%	1,223,571,430	7.4%	1,223,571,430	7.2%	1,223,571,430	7.2%
Sharp Vision	–	–	6,326,428,570	54.8%	6,326,428,570	54.2%	9,618,962,597	59.0%	9,618,962,597	58.5%	9,618,962,597	56.6%	9,618,962,597	56.2%
Subscriber		–	–	–	–	–	–	–	–	–	673,225,000	4.0%	673,225,000	3.9%
Jiang Xiong	981,600,000	24.1%	981,600,000	8.5%	985,600,000	8.4%	981,600,000	6.0%	985,600,000	6.0%	981,600,000	5.8%	985,600,000	5.8%
Liu Xiaolin and his controlled corporations														
Genius Earn Limited *(Note 1)*	129,000,000	3.2%	129,000,000	1.1%	129,000,000	1.1%	129,000,000	0.8%	129,000,000	0.8%	129,000,000	0.8%	129,000,000	0.8%
Luck Rich (or its nominees) *(Note 1)*	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Directors of the CFE Group (other than Jiangxiong)					65,625,000	0.6%	–	–	65,625,000	0.4%	–	–	65,625,000	0.4%
Fengqiang *(Note 2)*	–	–	1,143,679,470	9.9%	1,143,679,470	9.8%	2,616,751,693	16.0%	2,616,751,693	15.9%	2,616,751,693	15.4%	2,616,751,693	15.3%
Other public CFE Shareholders	1,744,400,000	42.8%	1,744,400,000	15.1%	1,790,400,000	15.3%	1,744,400,000	10.7%	1,790,400,000	10.9%	1,744,400,000	10.3%	1,790,400,000	10.5%
Total	4,078,571,430	100.0%	11,548,679,470	100.0%	11,664,304,470	100.0%	16,314,285,720	100.0%	16,429,910,720	100.0%	16,987,510,720	100.0%	17,103,135,720	100.0%

Notes:

1. As at the Latest Practicable Date, Liu Xiaolin holds the CFE Shares through Genius Earn Limited, a company incorporated in the British Virgin Islands and wholly-owned by Liu Xiaolin. Liu Xiaolin is also the sole shareholder of one of the two general partners of a limited partnership directly holding the entire issued share capital of Lucky Rich, which is in turn interested in 30% of the equity interest in TianDa as at the Latest Practicable Date. In the event that only Pteris Completion takes place, TianDa will become a non-wholly owned subsidiary of CFE, and Liu Xiaolin (a substantial shareholder of TianDa) will become a core connected person of CFE (as defined under the Listing Rules). Accordingly, the CFE Shares directly held by Genius Earn Limited (a close associate of Liu Xiaolin as defined under the Listing Rules) should not be counted towards the public float of CFE. As Lucky Rich owns over 20% of TianDa, which is a subsidiary of CIMC, each of Liu Xiaolin, Genius Earn Limited, Lucky Rich and its nominee(s) is presumed to be acting in concert with CIMC as at the Latest Practicable Date. After the TianDa Completion, Lucky Rich will no longer control 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC; therefore, it (as well as Liu Xiaolin and Genius Earn Limited) will no longer be members of the CIMC Concert Group.

2. As at the Latest Practicable Date, Fengqiang is presumed to be acting in concert with CIMC. After the Pteris Completion, Fengqiang will no longer control 20% or more of the voting rights of any associated company (as defined in the Takeovers Code) of CIMC. Therefore, Fengqiang will no longer be presumed to be a member of the CIMC Group.

3. CFE adopted the CFE Share Option Scheme on 29 May 2009. As at the Latest Practicable Date, there are 115,625,000 outstanding CFE Share Options.

4. As at the Latest Practicable Date, Mr. Jiang Qing (the elder brother of Mr. Jiang Xiong) held 28,000,000 CFE Share Options. Pursuant to a ruling of the Executive dated 19 May 2017 the class (1) presumption in the definition of "acting in concert" that arises between Top Gear on the one hand and Mr. Jiang Xiong and Mr. Jiang Qing on the other hand was rebutted and Mr. Jiang Xiong is not a member of the CIMC Concert Group.

5. Decimal numbers are rounded and thus may not add up to 100%.

As at the Latest Practicable Date, the public CFE Shareholders (other than Liu Xiaolin and his controlled corporations) (**"Other Public Shareholders"**) held approximately 42.77% of the total issued CFE Shares. Immediately after the Pteris Completion and assuming the TianDa Completion had not taken place, the percentage holding of the above public CFE Shareholders will decrease to (i) approximately 15.10% assuming none of the Convertible Bonds has been converted and none of the CFE Share Options has been exercised; (ii) approximately 15.35% assuming none of the Convertible Bonds has been converted and the CFE Share Options have been fully exercised; (iii) approximately 10.69% assuming all of the Convertible Bonds have been fully converted and none of the CFE Share Options has been exercised; and (iv) approximately 10.90% assuming all of the Convertible Bonds have been fully converted and all the CFE Share Options have been exercised. The issue of the Subscription Shares will further reduce the shareholding interests of the Other Public Shareholders in CFE to (i) approximately 14.27%, (ii) approximately 14.51%, (iii) approximately 10.27% and (iv) approximately 10.47% based on the same respective scenarios above.

We set out below the effect on the shareholding structure of CFE as at the Latest Practicable Date and immediately after the Pteris Completion and the TianDa Completion:

	As at the Latest Practicable Date		Immediately after the Pteris Completion and TianDa Completion (assuming (i) none of the Convertible Bonds has been converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) none of the Convertible Bonds (except for the Proposed Conversion) has been converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion and TianDa Completion (assuming (i) none of the Convertible Bonds has been converted; and (ii) all the CFE Share Options have been fully exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) none of the Convertible Bonds (except for the Proposed Conversion) has been converted; and (ii) all the CFE Share Options have been fully exercised)	
	Number of CFE Shares	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*
Top Gear	1,223,571,430	30.0%	1,223,571,430	10.6%	1,223,571,430	8.9%	1,223,571,430	10.5%	1,223,571,430	8.8%
Sharp Vision	–	–	4,664,472,279	40.4%	6,164,472,279	44.9%	4,664,472,279	40.0%	6,164,472,279	44.5%
Subscriber	–	–	–	–	673,225,000	4.9%	–	–	673,225,000	4.9%
Jiang Xiong	981,600,000	24.1%	981,600,000	8.5%	981,600,000	7.2%	985,600,000	8.4%	985,600,000	7.1%
Liu Xiaolin and his controlled corporations										
Genius Earn Limited (Note 1)	129,000,000	3.2%	129,000,000	1.1%	129,000,000	0.9%	129,000,000	1.1%	129,000,000	0.9%
Luck Rich (or its nominees) (Note 1)	–	–	1,014,679,470	8.8%	1,014,679,470	7.4%	1,014,679,470	8.7%	1,014,679,470	7.3%
Directors of the CFE Group (other than Jiangxiong)	–	–	–	–	–	–	65,625,000	0.6%	65,625,000	0.5%
Fengqiang (Note 2)	–	–	1,790,956,291	15.5%	1,790,956,291	13.1%	1,790,956,291	15.4%	1,790,956,291	12.9%
Other public CFE Shareholders	1,744,400,000	42.8%	1,744,400,000	15.1%	1,744,400,000	12.7%	1,790,400,000	15.3%	1,790,400,000	12.9%
Total	4,078,571,430	100.0%	11,548,679,470	100.0%	13,721,904,470	100.0%	11,664,304,470	100.0%	13,837,529,470	100.0%

	Immediately after the Pteris Completion and TianDa Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion and TianDa Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) all the CFE Share Options have been fully exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) all the CFE Share Options have been fully exercised)	
	Number of CFE Shares	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*	*Number of CFE Shares*	*%*
Top Gear	1,223,571,430	6.7%	1,223,571,430	6.5%	1,223,571,430	6.7%	1,223,571,430	6.4%
Sharp Vision	9,618,962,597	52.6%	9,618,962,597	50.8%	9,618,962,597	52.3%	9,618,962,597	50.5%
Subscriber	–	–	673,225,000	3.6%	–	–	673,225,000	3.5%
Jiang Xiong	981,600,000	5.4%	981,600,000	5.2%	985,600,000	5.4%	985,600,000	5.2%
Liu Xiaolin and his controlled corporations								
Genius Earn Limited (Note 1)	129,000,000	0.7%	129,000,000	0.7%	129,000,000	0.7%	129,000,000	0.7%
Luck Rich (or its nominees) (Note 1)	1,962,563,770	10.7%	1,962,563,770	10.4%	1,962,563,770	10.7%	1,962,563,770	10.3%
Directors of the CFE Group (other than Jiangxiong)	–	–	–	–	65,625,000	0.4%	65,625,000	0.3%
Fengqiang (Note 2)	2,616,751,693	14.3%	2,616,751,693	13.81%	2,616,751,693	14.2%	2,616,751,693	13.7%
Other public CFE Shareholders	1,744,400,000	9.5%	1,744,400,000	9.2%	1,790,400,000	9.7%	1,790,400,000	9.4%
Total	18,276,849,490	100.0%	18,950,074,490	100.0%	18,392,474,490	100.0%	19,065,699,490	100.0%

Note: Decimal numbers are rounded and thus may not add up to 100%.

Immediately after the Pteris Completion and the TianDa Completion, the percentage holding of the Other Public Shareholder will decrease to (i) approximately 15.10% assuming none of the Convertible Bonds has been converted and none of the CFE Share Options has been exercised; (ii) approximately 15.35% assuming none of the Convertible Bonds has been converted and the CFE Share Options have been fully exercised; (iii) approximately 9.54% assuming all of the Convertible Bonds have been fully converted and none of the CFE Share Options has been exercised; and (iv) approximately 9.73% assuming all of the Convertible Bonds have been fully converted and all the CFE Share Options have been exercised. The issue of the Subscription Shares will further reduce the shareholding interests of the Other Public Shareholders in CFE to (i) approximately 14.27%, (ii) approximately 14.51%, (iii) approximately 9.21% and (iv) approximately 9.39% based on the same respective scenarios above.

As set out under the paragraph headed "Proposed Issuance of Convertible Bonds", no conversion of the Convertible Bonds shall take place if (i) immediately after such conversion, the public float of the CFE Shares will fall below the minimum public float stipulated under the Listing Rules or as required by the Stock Exchange; or (ii) (unless otherwise agreed in writing by CFE) if a mandatory offer obligation under Rule 26.1 of the Takeovers Code will be triggered as a result of such conversion. Therefore, the above scenarios which show a public float of CFE Shares lower than 25% are for illustration only.

Taking into account (i) that the issue price of the Consideration Shares and the Subscription Shares represents a premium of approximately 14.2% over the net asset value per CFE Share of approximately HK$0.3205 (based on the audited consolidated net asset value as at 30 September 2017 of approximately RMB1,111.15 million (equivalent to approximately HK$1,307.23 million) and the CFE Shares in issue as at the Latest Practicable Date of 4,078,571,430); (ii) the positive effect on the pro forma earnings per CFE Share (excluding the one-off transaction expenses relating to the Proposed Acquisitions) after completion of the Proposed Acquisitions; (iii) the reasons for the Proposed Acquisitions and the Subscription as stated in the previous section headed" Reasons for the Proposed Acquisitions" and "Reasons for and benefits of the Subscriptions" which can help enhance the Enlarged Group's development potential and prospects; and (iv) the issue price of the Consideration Shares and the Subscription Shares, and the initial conversion price of the Convertible Bonds being fair and reasonable so far as the Independent CFE Shareholders are concerned, we are of the view that the dilution effect on the shareholding interests of the other public CFE Shareholders and the dilution effect on the net asset value per CFE Share is acceptable.

K. Special deal

As set out in the Letter from the Board, since the Proposed TianDa Acquisition is an arrangement made between CFE, a party acting in concert with CIMC, and Lucky Rich, which is not capable of being extended to all CFE Shareholders, the Proposed TianDa Acquisition constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) the CFE Independent Financial Adviser publicly stating that in its opinion the terms of the Proposed TianDa Acquisition are fair and reasonable; and (ii) the approval of the Proposed TianDa Acquisition by the Independent CFE Shareholders by way of poll at the CFE EGM. If the consent of the Special Deal is not obtained from the Executive or if the Special Deal is not approved by the independent CFE Shareholders at the CFE EGM, the Proposed TianDa Acquisition will not proceed.

As discussed above under the paragraph "Basis of Consideration for the Proposed Acquisitions" above, based on the consideration for the Proposed TianDa Acquisition of RMB610,553,589 and the net profit after tax attributable to the equity holders of TianDa for the year ended 31 December 2016 of RMB128,541,000, the PE Ratio for the Proposed TianDa Acquisition amounted to approximately 15.83 times.

As compared with the whole Pteris Group, the TianDa Group has a greater focus on the PBB Business; TianDa Group derived approximately 79.87% of its revenue from the PBB segment for the nine months ended 30 September 2017; whilst the whole Pteris Group derived approximately 44.77% of its revenue from the PBB segment during the same period. In addition, as set out in the paragraph headed "Basis of Consideration for the Proposed Acquisitions", out of the Comparable Companies, JBT and TAG are comparable companies in the PBB segments. The PE Ratios of JBT and TAG were 37.87 times and 41.52 times as at the Latest Practicable Date and are much higher than the implied PE Ratio based on the consideration for the Proposed TianDa Acquisition. The TianDa Group also has engaged in some MHS and GSE businesses. The PE Ratios of the Other Comparable Companies as at the Latest Practicable Date ranged from 24.58 times to 79.10 times and are also higher than the implied PE Ratio for the Proposed TianDa Acquisition. In other words, the PE Ratio based on the consideration for the Proposed TianDa Acquisition is lower than those of the market Comparable Companies.

In addition, we understand from CFE that it agrees to the Proposed TianDa Acquisition merely because of the Proposed Pteris Acquisition. Without the Proposed Pteris Acquisition, the TianDa Completion will not take place. The TianDa Sale Interest only represents a minority interest in TianDa. CFE will acquire the majority controlling interest in TianDa through the Proposed Pteris Acquisition. We understand that CFE discussed the consideration for the Proposed Pteris Acquisition and the consideration for the Proposed TianDa Acquisition separately with the 2 groups of sellers. Based on the above PE Ratio analysis of the Proposed TianDa Acquisition and the companies comparable to TianDa, we do not consider the Proposed TianDa Acquisition confers any favourable conditions to the seller under the Proposed TianDa Acquisition. There is no particular formulation that relates the consideration for the Proposed TianDa Acquisition to the consideration for the Proposed Pteris Acquisition. Whilst TianDa is a major operating subsidiary of Pteris, the TianDa Group and the Pteris Group are not analogous. Other than the business of the TianDa Group, the Pteris Group also engages in the Pteris MHS Business and the Pteris GSE Business. We understand that the Pteris MHS Business will be one of the major development focuses of the Enlarged Group after completion of the Proposed Acquisitions. CFE considers that this business segment has particular high growth potential in China and other regions in respect of the growing demand for faster, more efficient and highly automated logistics systems for e-commerce. F&S forecasts that e-commerce growth will be a major driver for continuing logistics systems and infrastructure development of express logistics and other systems companies in China and in other international market.

We further understand from CFE that it considers that and we agree that it is fair for the implied value of the consideration for the Proposed TianDa Acquisition to be lower than that for the Proposed Pteris Acquisition, as the TianDa Sale Interest only represents a minority interest in TianDa, the Proposed TianDa Acquisition is merely incidental to the Proposed Pteris Acquisition, and CFE will acquire a majority controlling interest in TianDa under the Proposed Pteris Acquisition.

It is proposed that the Proposed TianDa Acquisition will only complete if the Proposed Pteris Acquisition completes. As illustrated in the section headed" Financial effect of the Proposed Acquisitions" above in this letter, completing the Proposed TianDa Acquisition together with the Proposed Pteris Acquisition will lower the overall PE Ratio of the Proposed Acquisitions and enhance the increase in earnings per CFE Share as compared with the completion of the Proposed Pteris Acquisition only.

Based on the above, we consider that the terms of the Proposed TianDa Acquisition are fair and reasonable.

L. Whitewash Waiver

As at the Latest Practicable date, CIMC, through Top Gear (a wholly-owned subsidiary of CIMC), controls or is entitled to exercise control over the voting rights in respect of 1,223,571,430 CFE Shares, representing approximately 30% of the entire issued share capital of CFE. Further, as set out under the paragraph headed "Information on the Relevant Parties" and in notes 1 and 2 of the shareholding table as set out in the paragraph headed "Effect of the Proposed Issue of the Consideration Shares and the Convertible Bonds on the Shareholding Structure of CFE" in the Letter from the Board, each of Fengqiang and Genius Earn is presumed to be acting in concert with CIMC before the Pteris Completion and TianDa Completion respectively. The Subscriber, which does not hold any CFE Shares as at the date of the letter, is presumed to be acting in concert with CIMC. Pursuant to a ruling of the Executive dated 19 May 2015, the class (1) presumption in the definition of "acting in concert" that arises between Top Gear on the one hand and Mr. Jiang Xiong and Mr. Jiang Qing (the elder brother of Mr. Jiang Xiong) on the other hand was rebutted. Accordingly, Mr. Jiang Xiong is not a member of the CIMC Concert Group.

As such, as at the Latest Practicable Date, the CIMC Concert Group (through Top Gear and Genius Earn) controls or is entitled to exercise control over voting rights in respect of 1,352,571,430 CFE Shares, representing 33.2% of the entire issued share capital of CFE.

Assuming there is no other change in the issued share capital of CFE and none of the Convertible Bonds have been converted other than the Proposed Conversion (which shall take place depending on the Subscription Completion):

(i) immediately following the Pteris Completion (assuming the TianDa Completion, the Proposed Conversion and the Subscription Completion have not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and Genius Earn) will increase to approximately 65.4% and 66.5% of the then enlarged total issued share capital respectively;

(ii) immediately following the Pteris Completion and TianDa Completion (assuming the Proposed Conversion and the Subscription Completion have not taken place), the aggregate shareholding of each of the CIMC Group and the CIMC Concert Group (both through Top Gear and Sharp Vision) will increase to approximately 51.0% of the then enlarged total issued share capital of CFE;

(iii) immediately following the Pteris Completion and Subscription Completion (assuming the TianDa Completion and the Proposed Conversion have not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision, Genius Earn and the Subscriber) will increase to approximately 61.8% and 68.3% of the then enlarged total issued share capital respectively;

(iv) immediately following the Pteris Completion, TianDa Completion and Subscription Completion (assuming the Proposed Conversion has not taken place), the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and the Subscriber) will increase to approximately 48.2% and 53.7% of the then enlarged total issued share capital of CFE respectively; and

(v) immediately following the Pteris Completion, the TianDa Completion, the Proposed Conversion and the Subscription Completion, the aggregate shareholding of the CIMC Group (through Top Gear and Sharp Vision) and the CIMC Concert Group (through Top Gear, Sharp Vision and the Subscriber) will increase to approximately 53.8% and 58.7% of the then enlarged total issued share capital of CFE respectively.

Pursuant to Rule 26.1 of the Takeovers Code, Sharp Vision will be required to make a mandatory general offer for all the issued CFE Shares not already owned or agreed to be acquired by the CIMC Concert Group, unless the Whitewash Waiver has been obtained from the Executive.

Completion of each of the Proposed Acquisitions and the Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive. An application has been made by CIMC (on behalf of Sharp Vision) to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent CFE Shareholders taken by way of poll at the CFE EGM which is not waivable. In the event that the Whitewash Waiver is not granted on or before 12:00 noon on the Long Stop Date, the Sale and Purchase Agreements will lapse and the Proposed Acquisitions will not proceed; and the Subscription Agreement will also not become unconditional and will thereby lapse.

Having considered: (i) if the Whitewash Waiver is not approved by the Independent CFE Shareholders at the CFE EGM, the Sale and Purchase Agreements and the Subscription Agreement will not become unconditional and the Proposed Acquisitions will not proceed; (ii) the issue of the Consideration Shares to CIMC Concert Group is an appropriate means of financing the Proposed Acquisitions; (iii) the fairness and reasonableness of the issue price of the Consideration Shares and the Subscription Price as discussed above; (iv) the reasons for and benefits of the Subscription to CFE; and (v) the dilution in the shareholding interests of the Independent CFE Shareholders upon the Pteris Completion, the TianDa Completion and the Subscription Completion is acceptable, we are of the view that the Whitewash Waiver is fair and reasonable and in the interests of CFE and the CFE Shareholders (including the Independent CFE Shareholders) as a whole and we advise the CFE Whitewash Waiver Board Committee to recommend, the Independent CFE Shareholders to vote in favour of the resolution to approve the Whitewash Waiver.

RECOMMENDATION

Taking into consideration the principal factors and reasons discussed above, we consider that whilst the Proposed Acquisitions are not entered into in the ordinary course of business of the CFE Group, they are in line with the long-term business strategies of the CFE Group and on normal commercial terms and the terms of the Sale and Purchase Agreements, the Subscription Agreement, the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of CFE and the CFE Shareholders (including the Independent CFE Shareholders) as a whole. We also consider that the Proposed Conversion and the Special Deal are fair and reasonable. Accordingly, we advise the CFE Independent Board Committee and the CFE Whitewash Waiver Board Committee to recommend the Independent CFE Shareholders vote in favour of the ordinary resolutions to be proposed at the CFE EGM to approve the Proposed Acquisitions, the Subscription, the Proposed Conversion, the Specific Mandate, the Whitewash Waiver and the Special Deal.

Yours faithfully,
For and on behalf of
YUNFENG Financial Markets Limited
John Maguire
Senior Managing Director

Mr John Maguire is a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 20 years of experience in the corporate finance industry.

I. TECHNICAL GLOSSARY

This glossary contains explanations of certain terms used in this circular in connection with the business of the Pteris Group. The terms and their meanings may not correspond to the standard industry meaning or usage of these terms.

"aircraft cargo loader"	used to transport cargo to the cabin of the airplane
"aircraft de-icing vehicles"	vehicles which spray de-icing liquid at the aircraft's body to remove any ice formed on the surface
"airport apron buses"	used to transport passengers between terminal buildings and remote aircraft stands
"airport catering truck"	multi-purpose vehicle used primarily to transport food and beverage, luggage and other items
"airport equipment"	the products offered in the airport equipment segment include passenger boarding bridges and ground support equipment
"APS"	automated parking systems, comprising parking systems that are used to efficiently utilise and maximise car parking spaces
"GSE"	ground support equipment, comprising various types of special vehicles including aircraft de-icing vehicles, airport catering trucks, airport apron buses and aircraft cargo loader
"MHS"	materials handling systems, comprising products that are principally used by airports and seaports to handle and transport different types of cargo and baggage
"PBB"	passenger boarding bridge, which is used to connect airport terminals to commercial aircraft, providing direct access for passengers from the terminal to the aircraft and vice versa

II. RISK FACTORS

Shareholders should consider carefully all of the information set out in this circular and, in particular, the following risk factors as well as other information including the financial information of the CFE Group, financial information of the Pteris Group and the TianDa Group and the unaudited pro forma financial information of the Enlarged Group set forth in Appendices II, III(A), III(B) and IV, respectively, before making a voting decision at the CFE EGM. If any of the possible events described below occur, the Enlarged Group's business, financial conditions or results of operations could be materially and adversely affected and the market price of the CFE Shares may fall significantly.

1. RISKS RELATING TO THE BUSINESS AND INDUSTRY OF THE PTERIS GROUP

(i) The Pteris Group may face liquidity risks

Similar to most other companies in the Pteris Group's industry, receivables are based on projects' milestones. In a typical project payment schedule, customers will pay an advance payment as initial payment. Subsequent payments are received from customers based on progressive claims for work done. In the meantime, payments are made by the Pteris Group for operating activities such as purchases of materials and components for production. This creates timing mismatch in terms of cash inflow and outflow. As such, the Pteris Group requires high working capital and these are financed by the advance payments collected from customers, internal resources of the Pteris Group and its banking facilities. Banks enforce stringent conditions for working capital financing and hence, there is no assurance that the Pteris Group is able to continue to obtain such financing from the banks. In the event that the Pteris Group is unable to continue obtaining such financing from the banks, the business, financial condition, results of operations, prospects, profitability and financial performance of the Pteris Group may be materially and adversely affected.

(ii) The Pteris Group's business is largely project-based and its revenue is dependent on it securing new contracts and the stage of completion of the projects

As a project-based engineering group and similar to most such companies, the Pteris Group's revenue is directly related to the amount of orders it secures. Rates for the orders are determined principally by the balance of supply and demand in the market for its products, which is determined by the general global economic conditions. The Pteris Group therefore has to continuously and consistently secure new customers and/or new projects. The delay in the award of new contracts or the release of new tenders will lead to lower order book secured for the financial year. The number of projects that the Pteris Group may secure is contingent on its ability to secure projects as well as the availability of airport development projects which include the upgrading, expansion or building of new airports. In the event that the Pteris Group is not able to secure projects and/or if there is a lack of suitable projects available, the business, financial condition, results of operations, prospects, profitability and financial performance of the Pteris Group may be materially and adversely affected.

In addition, as the revenue of Pteris Group is recognized based on the stage of completion of its projects, delay in the completion of projects will therefore affect the financial performance of Pteris Group in terms of revenue and operational cash flows. Due to industry practice and the long-established practice with the customers and suppliers of Pteris Group, the Pteris Group has customarily completed a significant number of projects on hand in the fourth quarter of a year. As such, the financial results of Pteris Group for first nine months of a year may not be taken as an indication of the performance for the entire financial year. For example, the Pteris Group had recorded unaudited revenue and net loss after tax for the nine months ended 30 September 2016 of approximately RMB643.4 million and RMB37.8 million, respectively; whereas the Pteris Group had recorded audited revenue and net profit after tax for the year ended 31 December 2016 of approximately RMB1,522.8 million and RMB111.8 million, respectively. Prospective investors should therefore be aware of this seasonal factor when making any comparisons of the financial performance of Pteris Group.

(iii) The Pteris Group is reliant on the aviation industry

As the Pteris Group is a solution provider of airport logistics systems, its operations are dependent on the level of activities and development in the aviation industry. Such activities are mainly affected by the growth of air passenger and cargo traffic which are directly influenced by the global economic, social and political conditions and also new operational requirements such as security screening.

Statutory rules and regulations, policies, directives and budget promulgated by the various governments relating to capital expenditures and/or infrastructure investments in this industry are also contributory factors to the growth of the industry. Accordingly, the performance of the Pteris Group would be affected by the outlook of the industry.

(iv) The Pteris Group faces intense competition from existing competitors and new entrants in providing airport logistics systems businesses

The Pteris Group operates in a niche industry where it competes with international players. The Pteris Group faces intense competition from its existing competitors as well as new entrants to the industry. Some of the Pteris Group's competitors may have wider geographical presence, greater financial resources and technical expertise, longer track records, greater brand equity, and/or stronger relationship with customers and suppliers than it has. If the barriers of entry are lowered due to the rapidly changing environment, it will likely result in more intense competition from both existing and new industry players. Furthermore, intense competition may lead to downward price pressure for the products and services that the Pteris Group supplies. This may lead to lower margin and may have a material adverse effect on the Pteris Group's prospects, financial performance, liquidity and financial condition.

(v) The Pteris Group may be adversely affected by cost over-runs

The prices of the Pteris Group's projects are generally fixed and are agreed upon at the point of signing of the contracts or when a tender bid is submitted. As project costs are estimated during tender period, there is no assurance that the Pteris Group's actual costs incurred will not exceed the estimated costs, due to under-estimation of costs, wastage, inefficiency, damage or additional costs incurred during the course of the contract. Any such cost over-runs in a contract may adversely affect the Pteris Group's profitability. In addition, costs are also subject to global inflation, especially for projects which are implemented over periods of more than 12 months. Although the Pteris Group has placed measures to control costs, there is no assurance that these measures will adequately manage any escalation in costs. In the event of such escalation in costs, the cash flow, financial condition, and financial performance of the Pteris Group may be materially and adversely affected.

(vi) The Pteris Group may be exposed to the risk of inability to claim for variation orders

During the course of a project that may be undertaken by the Pteris Group from time to time, the Pteris Group may be requested to perform additional works which are not specified in the original contract or to carry out variations to the specifications stipulated in the original contract with its customers. In order to facilitate the completion of a project within stipulated deadlines, these variation orders may need to be carried out before the additional charges for these variation works are agreed between customers and the Pteris Group. Hence, the claims and/or final values of such variation orders may be subject to dispute by the customer. The Pteris Group's financial performance, cash flow and financial condition may be adversely affected if it is required to bear any part of the variation costs.

(vii) The Pteris Group is exposed to various project management risks, and owes contractual and legal obligations

In the course of developing the systems and products, the Pteris Group may experience certain design differences leading to disruption to the project schedule. Furthermore, unforeseen circumstances such as logistics disruptions, machine down-time due to maintenance or break-down, unfavourable weather or unanticipated construction constraints at the work site may arise during the course of project execution. As these circumstances may require additional works which may lead to higher costs and prolonged schedule over-run, it may erode the profit margin for the project. Any major disruption to the Pteris Group's facilities, worksite and/or project schedules due to, *inter alia*, the foregoing reasons could also have a material adverse effect on the Pteris Group's operations and the Pteris Group's financial results.

Contract agreements stipulate the Pteris Group's legal obligations to fulfill project requirements such as the systems delivery, time frame and other contractual conditions. The Pteris Group could be liable to pay liquidated damages in the event of its failure to fulfill the contractual obligations. In addition, if a customer prematurely terminates a contract, it is possible that the Pteris Group may not be adequately compensated. Premature termination may also expose the Pteris Group to claims from its subcontractors and/or suppliers in event that the Pteris Group terminates their services for the related projects. Such incidents may adversely affect the Pteris Group's business, financial performance and financial condition.

(viii) The Pteris Group may be exposed to foreign exchange risks

A significant portion of the Pteris Group's foreign currency (currencies other than the function currency of the operations to which the transactions relates) denominated monetary assets and monetary liabilities are dominated in US$, and the Pteris Group may be increasingly exposed to other currencies when it expands geographically. Consequently, portions of the Pteris Group's receivables, payables and cash balances are affected by fluctuations in the exchange rates among the above-mentioned currencies. The Pteris Group 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.

To the extent that the Pteris Group's revenue, purchase and operating costs are not sufficiently matched in the same currency and to the extent that there are timing differences between receipt and payment, the Pteris Group will be exposed to any adverse fluctuation in the exchange rates between foreign currencies and the function currency. Although the Pteris Group may enter into foreign exchange forward contracts to mitigate foreign exchange exposure, the impact of future exchange rate fluctuations on the Pteris Group's revenue, cost of sales and margins cannot be accurately predicted. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls.

(ix) The Pteris Group may be exposed to interest rate risks

The Pteris Group is subject to interest rate fluctuations as it may have term loans which are re-priced quarterly and short term loans which the Pteris Group pays at prevailing market rate when they are drawn down.

In addition, the Pteris Group may be subject to market disruption clauses contained in its loan agreements with banks. Such clauses state that to the extent that the banks may face difficulties in raising funds in the interbank market or are paying materially more for interbank deposits than the displayed screen rates, they may pass on the higher costs of funds to the Pteris Group despite the margins agreed. As a result, the Pteris Group's performance could be adversely affected by interest rate fluctuations.

(x) The Pteris Group is reliant on the availability of trade facilities

As part of project requirements, the Pteris Group may be required to provide bankers' guarantee or surety bonds in the form of tender bonds, advance payment bonds, performance bonds, warranty bonds and guarantee letter. In the event that the Pteris Group is unable to perform its contractual obligations, the beneficiaries of these bonds would be able to claim damages up to the bond values. Such bonds usually represent 10% to 20% of the project value. In certain regions, the bonds can amount up to 50% or 100% of the project value. The wordings of these guarantees express the Pteris Group's legal obligation for each project as well as the financial risk exposures in the event the Pteris Group fails to meet the requirements. The Pteris Group therefore relies on the banks and surety houses to provide such trade facilities when it is a requirement under the Pteris Group's projects. In the event that the Pteris Group is unable to continue obtaining such trade facilities, the business, financial condition, results of operations, prospects, profitability and financial performance of the Pteris Group may be materially and adversely affected.

(xi) The Pteris Group operates in countries where it will be subject to local legal and regulatory conditions and may be affected by the political, economic and social conditions in these countries

A significant portion of the Pteris Group's revenue is derived from its overseas projects. The Pteris Group also has operations in regions including Asia, Europe, North Africa and Latin America. Some of the countries in which the Pteris Group operates have been affected by political upheavals, internal strife, civil commotions, epidemics and terrorist attacks. The recurrence of these political and social conditions in countries where the Pteris Group currently or may in the future operate, may affect its ability to provide its services to its customers in those countries.

The Pteris Group's business and operations are also subject to the legal and regulatory framework in these countries. Laws and regulations governing business entities in these countries may change and are often subject to a number of possibly conflicting interpretations, both by business entities and by the courts. Changes and uncertainty surrounding governmental policies, in particular, with respect to business laws and regulations, licenses and permits, taxation, inflation, interest rates, currency fluctuations, price and wage controls, exchange control regulations, labour laws and expropriation may adversely affect the Pteris Group's business, financial condition and results of operations.

The Pteris Group may continue to expand into other countries when opportunities arise, or explore strategic alliances, acquisitions or investment opportunities in businesses which are complementary to its existing businesses. Overseas expansion involves numerous risks, including but not limited to the financial costs of setting up overseas operations, investment in equipment and working capital requirements as well as operational, business, political, social, economic, legal and regulatory risks. There can be no assurance that the overseas operations will be viable or will achieve a sufficient level of revenue which will cover the operational costs and if the Pteris Group fails to manage its expansion plans and the related risks and costs, operations and financial performance of the Pteris Group may be adversely affected.

(xii) The Pteris Group is exposed to supply chain risks

The main components for the Pteris Group's works are steel metals, motors and control panels. In most projects, the requirement for specific brands and/or technical specifications for certain components are pre-determined by the end customers.

As such, the Pteris Group is reliant on suppliers to provide the required components, some of which may originate from competitors of the Pteris Group. There is no assurance that the Pteris Group will continue to be able to obtain these components from its suppliers at acceptable prices, quality and delivery time. In the event that the Pteris Group's suppliers are unable to meet its requirements, or it is unable to obtain sufficient quantities or adequate quality of these materials at reasonable prices or if it is unable to pass on the higher costs of these materials to its customers, the Pteris Group's profitability may be adversely affected. In Pteris Group's project, it may be able to sub-contract a certain portion of the contracts. Where the Pteris Group has subcontracted such works, it is exposed to the timely delivery and the quality required of the works sub-contracted to its sub-contractors. In the event that the sub-contractor is unable to perform the works, the Pteris Group will be exposed to the ultimate contract performance of the scope of sub-contracted works. The Pteris Group's profitability and financial condition will be adversely affected should it be unable to obtain other subcontractors or is unable to perform the works from its internal resources at the price allocated to the sub-contractor.

(xiii) The Pteris Group may be subject to potential litigation or it may need to incur additional costs or liquidated damages in the event of disputes, claims, defects or delays

The Pteris Group typically provides warranty periods of at least 12 months for projects. Product warranties typically require the Pteris Group to provide after-sales services covering parts and labour for repairs that are not caused by normal wear and tear, operator abuse, improper use or negligence. Customers may return or seek replacement of defective products during the warranty period. During this warranty period, the Pteris Group is required to rectify defects at no cost to the customers. An increase in the rate of warranty claims or the occurrence of unexpected warranty claims, or if the Pteris Group is required to rectify defects during the warranty period which result in substantial additional costs being borne by the Pteris Group, may cause the Pteris Group's business, financial results, financial condition, cash flows and results of operations to be materially and adversely affected.

While the Pteris Group maintains products liability insurance, there is no assurance that such products liability insurance will extend to cover all potential product warranty claims that may arise in the ordinary course of our business. Increased or unexpected product warranty claims that are uninsured could cause the Pteris Group to incur substantial expense to replace defective products, provide refunds or resolve disputes with its customers. This could materially and adversely affect the business, financial condition and results of operations of the Pteris Group. Increased product warranty claims may also result in adverse publicity that may damage the reputation and customer relationships, which would have a material adverse effect on the business of the Pteris Group.

The Pteris Group may encounter disputes with its customers, contractors and/or subcontractors in relation to, *inter alia*, non-compliance with contract specifications, defects in workmanship and materials used, or non-fulfilment of contracts. In such an event, the customers of the Pteris Group may demand for compensation and it may be required to pay liquidated damages. There can be no assurance that any of such disputes and claims will not result in protracted litigation. In the event that it is unable to reach a settlement with the customer, contractors and/or the subcontractor, the Pteris Group may have to incur expenses related to such claims and compensation, which will have a negative impact on its profits, cash flow and financial position. Further, in the event that disputes or disagreements over the final value of variation orders result in litigation, the Pteris Group may incur additional legal costs without achieving a successful claim. If these develop into actual events or litigation become protracted, its business and financial performance may be adversely affected.

(xiv) The Pteris Group is exposed to customers' credit risks

Whilst the Pteris Group's customer base is mostly airport operators and reputable business partners, it may nonetheless be exposed to credit risk resulting from outstanding debts and receivables. In the event that the Pteris Group is unable to collect its accounts receivables from its customers, the business, cash flow, financial condition, results of operations, prospects, profitability and financial performance of the Pteris Group may be materially and adversely affected.

(xv) The Pteris Group depends on the competitiveness of technology

The Pteris Group may not be able to keep up with technological advancement. The competitiveness of its products is dependent on the technology employed. Some of the competitors may develop more advanced technology and produce higher quality equipment. If the Pteris Group is not able to produce competitive products, it may not be able to maintain its competitive edge, and its business, prospects, financial performance and financial condition may be materially and adversely affected.

(xvi) The Pteris Group's insurance coverage may be inadequate

The Pteris Group does not maintain an expansive insurance policy which covers all losses. The high costs of obtaining and maintaining insurance coverage for such events are not practical for the operations of the Pteris Group. The Pteris Group maintains insurance plans to cover, amongst others, its machinery and equipment, public and products liability, transportation risks and personal accident risks of most of its employees. However, certain types of risks may be uninsurable or inadequately insured, as the high costs of obtaining and maintaining insurance coverage for all such events are not practical for its operations. There can be no assurance that the Pteris Group's insurance policies would be adequate to cover all such consequential loss of business. In the event that the Pteris Group's insurance coverage is not extensive enough to cover all such losses, claims and/or liabilities, this may result in an adverse effect on the Pteris Group's financial and operational performance.

(xvii) The Pteris Group will be exposed to potential liability and loss arising from damages, injury or death due to accidents at its factory premises and third party client's premises

The Pteris Group faces the inherent risk of accidents involving its employees or third parties on its factory premises and customers' premises even if established safety measures are in place. Such accidents, or mishaps may severely disrupt the Pteris Group's operations and lead to a delay in the completion of a project, and in the event of such delay, the Pteris Group could be liable to pay compensation, such as liquidated damages, under the contract with the customer. In such an event, the Pteris Group's business, operating results and financial performance may be materially and adversely affected.

Further, such accidents or mishaps may subject the Pteris Group to claims from workers or other persons involved in such accidents or mishaps for damages suffered by them. In the event that any accidents which are not covered by the Pteris Group's insurance policies occur, or if claims arising from such accidents are in excess of its insurance coverage and/or any of its insurance claims are contested by its insurers, the Pteris Group will be required to pay compensation and its financial performance may be adversely affected. Such insurance claims may also result in higher insurance premiums payable by the Pteris Group in the future. These may have an adverse effect on the Pteris Group's financial results. In addition, the contractors and/or sub-contractors may be required by regulatory authorities, to suspend their operations for a period of time or pay fines. The potential resultant imposition of fines and penalties and possible delays in project completion, cost overruns and/or liquidated damages, may in turn affect the Pteris Group's profitability, reputation and the prospects.

Any accidents or mishaps resulting in significant damage to the Pteris Group's machinery or equipment may also have a significant adverse effect on the Pteris Group's business, financial condition and operating results.

(xviii) The Pteris Group's future success depends on its ability to retain its senior management and other skilled personnel

The airport logistics systems business is a niche industry which requires highly skilled personnel. Substantial reliance is placed on the experience and knowledge of the technical personnel and management team, in particular its senior management including Mr. Zheng Zu Hua, who is a veteran in the aviation industry. Skilled personnel with the requisite experience in the Pteris Group's industry are limited and competition for the employment of such personnel is intense. The management team of the Pteris Group has been instrumental in formulating and implementing its business strategy, corporate development, sales and marketing strategies and overall management of the Pteris Group. The management team also possesses an extensive business network, the necessary experience and requisite market knowledge. Finding suitable replacements for such key personnel could be difficult and time-consuming, and competition for such experienced personnel is intense. The loss of the services of one or more members of key management personnel, or other skilled personnel without suitable replacements due to their departure or other reasons, could lead to the loss or deterioration of important business relations, or the Pteris Group may incur additional expenses to recruit, train and retain personnel. Moreover, if any of these key personnel joins a competitor, the Pteris Group may lose customers, suppliers, know-how and key professionals and staff members. These factors could materially and adversely affect the Pteris Group's business, succession planning, financial condition and results of operations.

In addition, the Pteris Group's future success will depend largely on its ability to attract and retain highly skilled and qualified personnel to recruit, train and manage its employees. There can be no guarantee that suitably skilled and qualified individuals will be identified and employed or contracted on satisfactory terms or at all. If the Pteris Group fails to recruit or retain the necessary personnel, the business, financial condition, results of operations, prospects, profitability and financial performance may be materially and adversely affected.

(xix) The business of the Pteris Group depends on the adequate protection of its patents, intellectual property rights and other proprietary rights

The continued success of the Pteris Group depends on its ability to obtain and maintain adequate intellectual property protection for its technologies, products, preserve its trade secrets, prevent third parties from infringing upon its proprietary rights, and operate without infringing upon the proprietary rights of others. The Pteris Group also rely on a combination of patent laws, trade secret laws, employee confidentiality and non-compete agreements and third-party confidentiality and non-compete agreements in order to protect its intellectual property.

There can be no assurance that existing patent applications of the Pteris Group will be successful or that any intellectual property right or protection which the Pteris Group presently holds will not be successfully challenged, narrowed, invalidated or circumvented.

The competitors of the Pteris Group may have independently developed technologies or products that contain similarities to those of the Pteris Group, and these competitors may have applied for registration of patents or other intellectual property rights in respect of their technologies or products. The competitors or other third parties may consider application of certain intellectual properties by the Pteris Group an infringement of their intellectual property rights. In addition, as the Pteris Group procures raw materials and components from third-party suppliers, the Pteris Group may be involved in infringement claims against these suppliers should they be alleged to have infringed certain intellectual property rights. As a result, the Pteris Group may be exposed to infringement claims. Any involvement in intellectual property rights infringement litigation may result in substantial costs, reputational damage and diversion of resources and management attention. If the Pteris Group is barred from using certain of its material intellectual properties and fail to develop non-infringing substitutes, its business operations may be interrupted and its results of operations and financial position could be adversely affected.

(xx) Results of operations of the Pteris Group tend to fluctuate with the performance of the PRC and global industrial sector and overall economic development in the world

The Pteris Group specializes in four main business segments, namely PBB, GSE, MHS and APS. The Pteris Group's businesses depend significantly on the performance of the PRC and the global economy, especially Europe, and tend to move in response to the overall economic environment. The demand for passenger boarding bridges, ground support equipment, logistics systems and automated parking systems of the Pteris Group are influenced by, among other factors, global and regional economic conditions, currency exchange rates, the globalization of manufacturing, fluctuation in the levels of global and regional international trade, regulatory developments and changes in air travel and the demand for efficient car parking spaces. Global trade volumes and Chinese import and export volumes are affected by changes or developments in global economic, financial and political conditions, which are outside the Pteris Group's control. The rate of spending in infrastructure and aviation transport industries affects its operations as its products are primarily used in these industries.

An economic slowdown in the PRC and/or globally may materially and adversely affect the financial position and future prospects of the Pteris Group. Changes in the performance of the PRC and global industrial sector and overall economic development in the world are difficult to predict and will in turn affect the demand for its products and related services. Decreases in such demand and/or increases in the supply of similar products or services could lead to significantly lower sale price, reduced volume, cancellation of orders or a combination of the foregoing, which would have a material adverse effect on its business, financial condition and results of operations.

(xxi) If the Pteris Group cannot renew, extend or comply with its business license, qualification certificates, operating permits and other approvals, its business, financial condition and results of operations will be materially and adversely affected

The business and operations of the Pteris Group require it to obtain various licenses, certificates, permits and approvals, from relevant government authorities, as well as carry out timely regulatory filings with the relevant government authorities in the PRC and other countries. Renewal of such licenses, certificates, permits and approvals may require the Pteris Group to pay the relevant fees and may be subject to further review and approval by the relevant authorities.

Due to the expansion of its business, the existing licenses, certificates, permits or approvals of the Pteris Group may not match its growth and it may need to apply for new licenses, certificates, permits or approvals. In the event that the Pteris Group fails to apply in advance, renew, extend, or comply with the laws and regulations such as failing to carry out timely regulatory filings with the relevant government authorities, the relevant government authorities could impose fines or require the relevant member of the Pteris Group to cease operations, resulting in a material adverse effect on its business, financial condition and results of operations.

(xxii) The success of the Pteris Group depends in part on its ability to enhance its manufacturing capabilities and its future efforts to enhance its manufacturing capabilities may not achieve the expected benefits

The success of the Pteris Group in the future depends in part on its ability to enhance its manufacturing capabilities, which include expanding its manufacturing capacity, improving its manufacturing efficiency or modifying its manufacturing lines to meet the varying demands for its products. If the Pteris Group is unable to do so, it may not be able to achieve the desired level of economies of scale in its operations to reduce manufacturing costs to the level that will allow the Pteris Group to compete effectively or to maintain its pricing and other competitive advantages. The Pteris Directors believe that research and development efforts till date have placed the Pteris Group at the forefront of the industry through improving the efficiency of its manufacturing processes. However there is no assurance that future efforts by the Pteris Group will be similarly successful.

Besides, the ability and efforts of the Pteris Group to enhance its manufacturing capabilities are subject to significant risks and uncertainties, including:

(a) its ability to obtain funding for the additional capital expenditures, working capital and other corporate requirements to be used to enhance its manufacturing capabilities. The Pteris Group may be unable to obtain such funds in a timely manner or on commercially reasonable terms or at all;

(b) unexpected delays and cost overruns resulting from a number of factors, many of which may be beyond its control. These include increases in the prices of raw materials and components, utilities, shortage of workers, transportation constraints, disputes with suppliers, sub-contractors, engineering firms, construction firms and equipment vendors as well as equipment malfunctions and breakdowns;

(c) its ability to obtain the required permits, licenses and approvals from relevant government authorities; and

(d) manufacturing interruptions caused by natural disasters or other unforeseen events.

Hence, should these risks and uncertainties materialize, they may have an adverse effect on the financial condition, results of operations and business.

(xxiii) The Pteris Group is dependent on external third parties to complete works for some of its projects

The Pteris Group relies partially on sub-contractors to provide various services, in particular, the procurement of raw materials and components. The costs of sub-contracting charges account for a portion of the costs of sales of the Pteris Group. These sub-contractors are selected from an approved list of the Pteris Group, which is compiled after annual evaluations based on factors such as quality of their products and services and the competitiveness of their pricing. However, there is no assurance that the services rendered by these sub-contractors will be satisfactory or that their performance will be able to meet its quality requirements at all times. The Pteris Group may not be able to deliver the products and/or services on time and may expose itself to liabilities under its contracts with its customers if these sub-contractors fail to adhere to its specifications or default on their contractual obligations. In the event that its sub-contractors experience financial or other difficulties that may affect their ability to complete the work for which they were engaged in a timely manner or at all, this may result in additional costs for the Pteris Group. As the main contractor, the Pteris Group remain liable for any failure to fulfil contractual terms such as timely delivery, and any loss or damage which arises from the fault of the sub-contractors that it engage.

In addition, the Pteris Group may not be able to find alternative sub-contractors to complete the work on time and it may be subject to higher costs from alternative sub-contractors, which will adversely affect its financial performance.

Any of these factors could have a material adverse effect on the business, financial condition and results of operations of the Pteris Group.

(xxiv) The profitability of the Pteris Group may be affected if it fails to maintain its cost competitiveness due to increased costs of raw materials and components

The main raw materials for the production of PBB, GSE, MHS and APS include steel and electrical components. Most of the raw materials and components are provided by third-party suppliers. Prices of some raw materials and components might increase in the future, and such increases may add to the cost of production of the Pteris Group and it may not be able to pass through such increased costs to its customers. The costs of raw materials and components are subject to many economic and political factors which are beyond its control. Certain factors such as the rising global demand for such raw materials and energy may result in upward pressure on their prices. There can be no assurance that the Pteris Group is able to maintain its cost competitiveness. If it fails to maintain its cost competitiveness, it may experience lower profit margins, which will materially and adversely affect its business, results of operations and financial condition.

(xxv) The Pteris Group may from time to time be involved in legal and other proceedings with third parties, arising from its operations which could result in damage to its reputation and loss of customer goodwill

The Pteris Group may be involved, from time to time, in disputes with various third parties involved in the development and sale of its products and services, such as customers, suppliers or sub-contractors. These disputes may result in legal and other proceedings at various stages of its business processes, such as the procurement of materials or the manufacturing process, and may cause the Pteris Group to suffer costs and delays as well as divert its resources and management's attention and time away from its business and operations. The Pteris Group may also from time to time in the course of its operations be involved in investigations undertaken by various regulatory bodies, which may result in administrative proceedings and unfavourable decisions being taken against us. In both events, the progress of development and sale of products and services may be delayed and the Pteris Group may as a result suffer financial losses which will in turn adversely affect its business, operations, results of operations and financial position.

(xxvi) Epidemics and other natural or man-made calamities, war and terrorist acts could adversely affect the business, results of operations and financial condition of the Pteris Group

The outbreak of any contagious disease with human-to-human airborne or contact propagation effects that escalates into a regional or global pandemic, or natural calamities such as earthquakes, floods or tsunamis, may devastate the affected destinations and hence have an adverse impact on all airlines that operate to/from the affected areas/regions. These events affecting the aviation industry may have an adverse impact on the business, operations, results of operations and financial position of the Pteris Group.

Similarly, terrorism and war (and threats of terrorism and war) and civil/political strife may also contribute to a fear of travelling or visiting particular destinations, resulting in a sharp fall in demand for air travel and correspondingly cause an adverse impact on the business of the Pteris Group. The occurrence of such events, or civil unrest in a country, may also result in the closure or restriction of access to airspace and/or airports. Given that airline services depend on the availability of these facilities, the businesses, results of operations and financial conditions of the Pteris Group could be adversely affected by the occurrence of such events.

2. RISKS RELATING TO THE PRC

(i) Changes in social, political and economic conditions in the PRC could adversely affect the operations of the Pteris Group

Since the Pteris Group derives significant portion of revenue from customers in the PRC, any significant slowdown in the PRC economy or decline in demand for PBB, GSE, MHS and APS in the PRC will have an adverse effect on the Pteris Group's business, operations, results of operations and financial position.

Furthermore, any unfavourable changes in the social, political and economic conditions in the PRC may also adversely affect its business, operations, results of operations and financial position. Any changes in the social, political and economic policy of the PRC government may lead to changes in laws and regulations or the interpretation of the same, as well as changes in foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect its results of operations. While the current policy of the PRC government seems to be one of marketization reforms of the civil aviation industry, enabling rapid development, there is no assurance that such a policy will continue to prevail in the future. As such, there is no assurance that the business, operations, results of operations and financial position of the Pteris Group will not be adversely affected should there be any policy changes.

(ii) Introduction of new laws or changes to existing laws by the PRC government may adversely affect the Pteris Group's businesses

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. In the event of a breach of any of the foregoing due to an act or omission by the Pteris Group, the Pteris Group will be subject to the relevant penalties prescribed thereunder. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is generally developing at a faster pace than its legal system, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances, and if so, the manner of such application. In addition, should there be any changes in the officiating personnel at the relevant PRC administrative authorities; there could be uncertainty in the interpretation of laws and regulations that apply to the business of Pteris Group, as well as the implementation of agreements with the relevant local authorities. In particular, unlike common law jurisdictions like Hong Kong, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. Please refer to the section headed "Regulatory Overview" of this circular for more information on the laws and regulations in the PRC.

In addition, in line with its transformation from a centrally planned economy to a more free market oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change and accordingly, any adverse change could affect the business, operations, results of operations and financial position of the Pteris Group.

(iii) Financial conditions and results of operations may be affected if the permits for the manufacturing of special airport equipment are not renewed

In accordance with the Law on Civil Aviation of the People's Republic of China promulgated by the Standing Committee on 30th December 1995 and Regulations for the Administration of the Use of Special Equipment at Civil Airports, a usage permit system of administration shall be adopted for specialized airport equipment listed in the appendix to the Regulations for the Administration of the Use of Special Equipment at Civil Airports. The General Administration of Civil Aviation shall be responsible for the grant of permission for use of special equipment and on-going supervision and administration management. Special equipment in respect of which a qualified equipment inspection report has not been obtained shall not be used in civil airports.

There can be no assurance that the Pteris Group will be able to renew the permit of special equipment usage. In the event that the Pteris Group is unable to do so, it may result in a material adverse effect on its business, operations, results of operations and financial position.

(iv) Changes in the PRC tax laws, regulations, policies, concessions and treatment may materially and adversely affect the results of operations and financial position of the Pteris Group

Presently, in accordance with industry practices, the Pteris Group is taxed according to the relevant national and local government laws and regulations relating to corporate income tax, value-added tax, city maintenance and construction tax, educational surcharge and local educational surcharge in the PRC. In the event that there is a change in the tax laws, regulations, policies, concessions and treatment, our cash flow and profits may be affected adversely, resulting in a material adverse effect on the business, operations, results of operations and financial position of the Pteris Group.

(v) Pteris Group is subject to environmental laws and regulations in the PRC

Pteris Group is subject to a variety of PRC laws and regulations relating to the protection of health and the environment. The particular PRC environmental laws and regulations which apply to the products and services of the Pteris Group may vary greatly according to the manufacturing site's location, environmental condition, the present and former uses of the manufacturing site and adjoining properties. The enforcement of the PRC environmental laws and conditions may result in delays to projects of the Pteris Group, the incurrence of substantial compliance and other costs and the prohibition or severe restriction of manufacturing or development activities in environmentally sensitive regions or areas.

3. RISKS RELATING TO THE PROPOSED ACQUISITIONS

(i) Concentration of control of CFE Shares as a result of the issuance of Consideration Shares and Convertible Bonds under the Proposed Acquisitions

Upon completion of the Proposed Acquisitions, the Vendors will collectively hold approximately up to 64.7% of the enlarged share capital of CFE (assuming no conversion of Convertible Bonds and no exercise of CFE Share Options). In particular, the CIMC Group's shareholding in CFE will increase from 30% to up to 51%, which will enable the CIMC Group to influence the outcome of matters submitted to CFE Shareholders for approval. Assuming full conversion of the Convertible Bonds (but no exercise of the CFE Share Options), the CIMC Group's shareholding in CFE will increase from 30% to up to 59%. As a result, the CIMC Group will be able to exercise significant influence over all matters requiring CFE Shareholders' approval, including the election of directors and the approval of significant corporate transactions except where they are required by the Listing Rules to abstain from voting. Such concentration of ownership will place CIMC Group in a position to affect significantly corporate actions in a manner that could conflict with the interest of public Shareholders.

(ii) Existing CFE Shareholders will face immediate and substantial dilution

Completion of the Proposed Acquisitions will result in immediate dilution to the shareholdings of the existing CFE Shareholders as a result of the allotment and issuance of the Consideration Shares and Convertible Bonds.

Pursuant to the Sale and Purchase Agreements (assuming both the Pteris Completion and the TianDa Completion take place), CFE will issue up to 7,470,108,040 Consideration Shares and the Convertible Bonds in the aggregate principal amount of up to RMB2,093,133,694 to the Vendors (or their respective nominee(s)) as consideration for the Proposed Acquisitions. The maximum number of Consideration Shares represent (i) approximately 183.2% of the total issued share capital of CFE as at the Latest Practicable Dates; (ii) approximately 64.7% of enlarged share capital of CFE upon completion of the Proposed Acquisitions (assuming no conversion of the Convertible Bonds and no exercise of the CFE Share Options); and (iii) approximately 40.9% of the enlarged share capital of CFE upon completion of the Proposed Acquisitions (assuming full conversion of the Convertible Bonds and no exercise of the CFE Share Options). Upon full conversion of the Convertible Bonds at the initial conversion price of HK$0.366, 6,728,170,020 CFE Shares will be issued, which represent (i) approximately 165.0% of the total issued share capital of CFE as at the Latest Practicable Date; and (ii) approximately 36.8% of the enlarged share capital of CFE upon completion of the Proposed Acquisitions (assuming no exercise of the CFE Share Options). The existing public CFE Shareholders' interest would be significantly diluted from 45.9% to 25% (assuming no conversion of the Convertible Bonds) or to 9.6% (assuming full conversion of the Convertible Bonds[(1)]) upon the completion of the Proposed Acquisitions. Any increase in the value of the CFE Shares as a result of the Proposed Acquisitions from a business or financial perspective may not necessarily be reflected in the market price of the CFE Shares and may not suffice to offset the dilution effect suffered by the existing public CFE Shareholders caused by the issuance of the Consideration Shares and Convertible Bonds.

Note:

(1) The public float of CFE will fall below the minimum requirement under the Listing Rules in such circumstance, which is for illustration purpose only.

(iii) The Enlarged Group may experience capital market risks and the share price of CFE Shares may be volatile

The performance of CFE on the Main Board of Stock Exchange is very much dependent on external factors such as the performance of the regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions in Hong Kong as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Main Board of Stock Exchange, thus adding risk to the market price of the listed securities. The market price of the CFE Shares may also fluctuate significantly and rapidly upon completion of the Proposed Acquisitions as a result of, *inter alia*, the following factors, some of which are beyond the control of the Company:

- variations in the Enlarged Group's results of operations;
- the success or failure of the Enlarged Group's management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- announcements of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;
- changes in securities analysts' recommendations, perceptions or estimates of the Enlarged Group's financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- involvement in litigation;
- any negative publicity on the Enlarged Group;
- unforeseen contingent liabilities of the Enlarged Group;
- addition or departure of key personnel;

- fluctuations in share prices of companies with similar business to the Enlarged Group that are listed in Hong Kong;
- differences between the actual financial operating results of the Enlarged Group and those expected by investors;
- foreign exchange fluctuations and translations; and
- general economic and stock market conditions.

(iv) Additional funds raised through issue of new CFE Shares for future growth will dilute Shareholders' equity interests

The Enlarged Group may require additional funding for capital expenditure or working capital requirements, and may in the future expand its capabilities and business through acquisitions, joint ventures, strategic partnerships and alliances with parties who can add value to the business. The Enlarged Group may require additional equity funding and the equity interests of current CFE Shareholders will be diluted should new CFE Shares be issued to fund such purposes.

(v) The Enlarged Group may not be able to realize the full benefits the Proposed Acquisitions if it is unable to successfully integrate its businesses and operations and realize synergies

The successful integration and resources re-allocation between the business of the Pteris Group and the CFE Group will require, among other things, coordination of operations between the Pteris Group and the CFE Group, retention of the Pteris Group's management and other employees, development and maintenance of a degree of uniform standards, controls, procedures and policies with the Group, and retention of existing suppliers and customers of the Pteris Group.

There is no assurance that the Enlarged Group will be able to successfully integrate the business and operations of the Pteris Group. There may be unexpected integration challenges or an unanticipated prolonged process of integration which may adversely affect or disrupt the business operations of the Enlarged Group and its financial performance, financial position and prospects. Accordingly, there is no assurance that the Enlarged Group will achieve the synergies, returns and other benefits expected of the Proposed Acquisitions.

(vi) The Proposed Acquisitions are subject to various conditions precedent and may or may not complete

The Proposed Acquisitions are conditional upon the fulfilment of various conditions precedent pursuant to the Sale and Purchase Agreements. Please refer to sections entitled "VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND SPECIAL DEAL - (1) The Pteris Sale and Purchase Agreement - Conditions Precedent" and "VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND SPECIAL DEAL - (2) The TianDa Equity Transfer Agreement - Conditions Precedent" of the section headed "Letter from the Board" in this circular for more information on the conditions precedent of the Proposed Acquisitions.

In the event that any of the conditions precedent in the Sale and Purchase Agreements are not fulfilled or waived by Wang Sing by the Long Stop Date, the Proposed Pteris Acquisition and/or the Proposed TianDa Acquisition will not take place and this may adversely affect the Company's future financial conditions and results of operations.

III. INDUSTRY OVERVIEW

Except as otherwise provided in this circular, the information in this Industry Overview section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and interviews with industry experts and participants, and is prepared primarily as a market research tool. Our Directors believe that the sources of information contained in this Industry Overview section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this Industry Overview section has not been independently verified by the CFE Group, the CIMC Group or their respective affiliates or advisers, or any other party involved in the very substantial acquisition. No representation is given as to the accuracy or completeness of such information, and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, a global consulting company founded in 1961 in New York with over 40 global offices and more than 2,000 industry consultants, market research analysts, technology analysts and economists.

The Frost & Sullivan Report includes information on the global and PRC PBB, GSE and MHS industry and its sub-segments and other market and economic data, which have been quoted in this circular. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the global and PRC PBB, GSE and MHS industry and its sub-segments. Primary research involved interviewing industry experts and participants. Secondary research involved review of company annual reports, official bureaus' databases and Frost & Sullivan's proprietary database built up over the past decades. Historical data for market size and competition analysis was obtained both from primary research including top-down interviews with industry participants and from a variety of secondary research.

OVERVIEW OF THE MACRO ECONOMY OF CHINA

China's economy has grown significantly over the past three decades, becoming one of the largest economies in the world. From 2012 to 2016, China's nominal GDP increased from RMB54.0 trillion to RMB74.4 trillion, at a CAGR of 8.3%, while China's per capita urban household disposable income grew from RMB24,600 to RMB33,600, at a CAGR of 8.1%. From 2012 to 2016, China's urban population increased from 711.8 million to 793.0 million, with a CAGR of 2.7%. During the same period, the urbanization rate in China increased from 52.6% in 2012 to 57.3% in 2016. The table below sets forth information on China's nominal GDP, per capita nominal GDP, per capita disposable income of urban households, population, urbanization rate and CAGR for the years indicated:

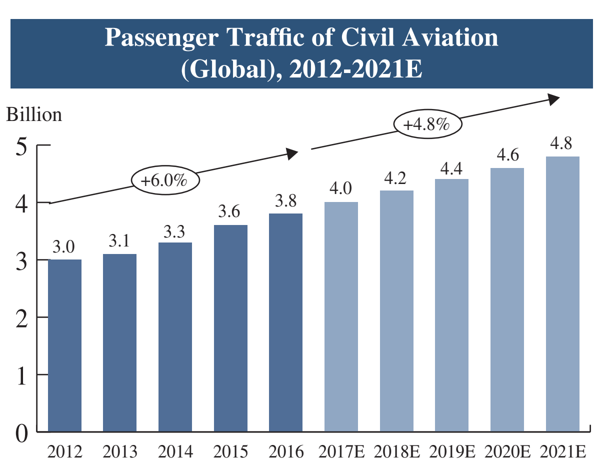
	For the year ended December 31,					CAGR
	2012	2013	2014	2015	2016	(2012-2016)
Nominal GDP (in RMB, trillion)	54.0	59.5	64.4	68.9	74.4	8.3%
Per capita nominal GDP *(in RMB'000)*	39.5	43.4	46.6	49.4	54.0	8.1%
Per capita disposable income of urban households *(in RMB'000)*	24.6	27.0	29.4	31.2	33.6	8.1%
Urban Population *(in million)*	711.8	731.1	749.2	771.2	793.0	2.7%
Urbanization rate *(%)*	52.6	53.7	54.8	56.1	57.3	N/A

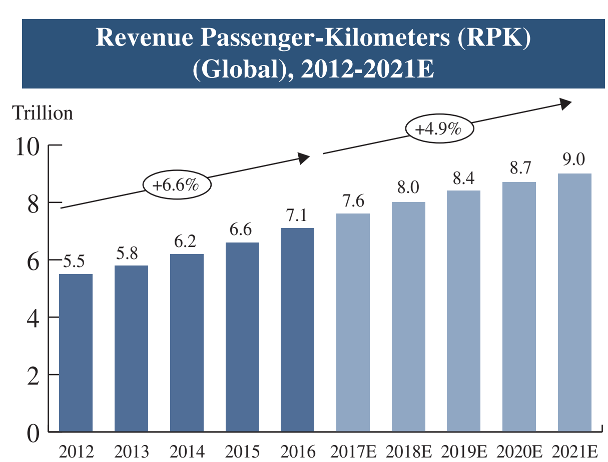
Source: National Bureau of Statistics of China

OVERVIEW OF THE CIVIL AVIATION INDUSTRY

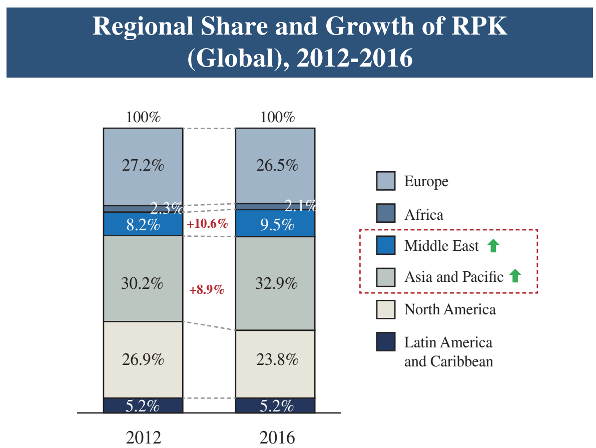
Overview of the Global Aviation Industry

Air transport has become essential to global society. It is a driver of economic, social and cultural development worldwide and has totally changed how people travel, interact with others and do business. Due to the democratization of international air travel, the real cost of flying has fallen by 60% over the last 40 years, making it more accessible to more people. According to the International Civil Aviation Organization ("**ICAO**"), the civil aviation industry directly and indirectly supports the employment of 58.1 million people, contributes over USD2.4 trillion to global GDP and carries over 3.3 billion passengers and USD6.4 trillion worth of cargo annually. ICAO estimated that by 2030, the number of domestic and international passengers will reach 6 billion, travelling on approximately 50 million flights. In 2016, in terms of passenger traffic expressed in terms of total scheduled revenue passenger-kilometers ("**RPKs**"), Asia-Pacific is the largest regional market for civil aviation.





It accounts for 32.9% of world traffic, followed by Europe and North America, which account for 26.5% and 23.8% of world traffic, respectively. In line with sustainable growth of the global civil aviation industry, the global aviation community is also facing significant challenges. As demand for air transportation services increases, states are faced with finding solutions to safely increase capacity, efficiency and access. The following charts show the historical and projected (as the case may be) passenger traffic, revenue of the global civil aviation industry and the regional share and growth of RPKs for the years indicated:



Source: Frost & Sullivan Report

Overview of the Civil Aviation Industry in China

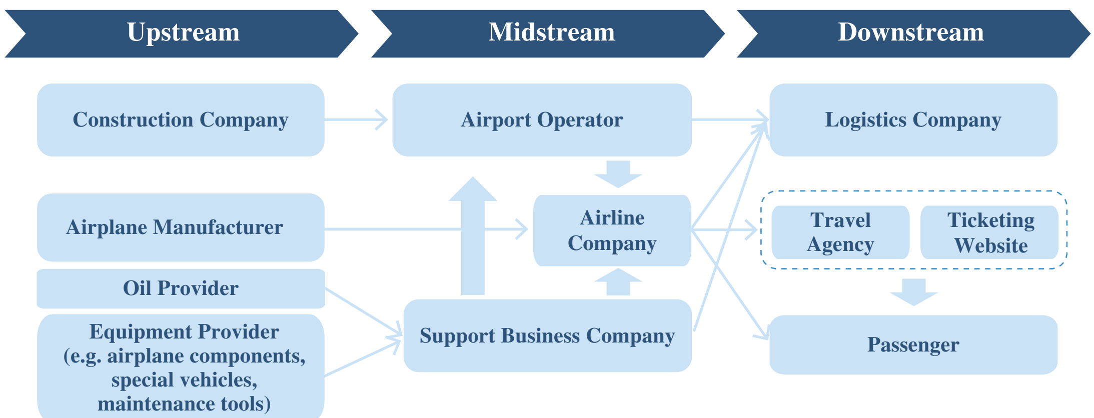
China's civil aviation industry emerged after the founding of the People's Republic of China, as the Political Bureau of the Communist Party of China Central Committee decided to establish the Civil Aviation Administration of China ("**CAAC**"). In 1958, the State Council of China announced that the CAAC would be guided by the Ministry of Transport. At that time, because of the political turmoil and stagnant economic growth in China, the development of the civil aviation industry faced various problems and difficulties. Therefore, the whole industry developed slowly at that time.

After the Reform and Opening Up Policy was issued in 1978, China's economy began to experience rapid growth. Meanwhile, the government was committed to market reforms of the civil aviation industry. The management of the civil aviation industry was assigned to six major civil aviation companies in order to drive market competition. Along with the steady development of the economy, the civil aviation industry experienced strong growth during this period.

After years of market reforms of the civil aviation industry in China, the industry experienced rapid development. However, the reform of the civil aviation industry also brought negative impacts. For example, price competition lowered profitability for airline companies. In 2002, the PRC government decided to reform and regroup the civil aviation industry again, in order to change the situation and solve the problems. In addition, China has built strong relationships with various countries, either in economic trading or in political relations, benefiting the rapid growth of the civil aviation industry.

Value Chain Analysis of the Civil Aviation Industry in China

China's civil aviation industry includes three major sectors, which are airport operators, airline companies, and support businesses. Airport operators provide venues, runways, facilities and equipment for airline companies and some large logistics companies who own cargo airplanes. Support businesses provide support for airline companies and logistics companies, including airplane components, special vehicles, information management, fuel supply, etc. The downstream of civil aviation airline companies is divided into two sectors: passengers and cargo. For passenger traffic, airline companies sell tickets to travel agencies or ticketing websites, as well as passengers directly. For cargo traffic, logistics companies are the major users. The following chart shows the value chain of the civil aviation industry in China:

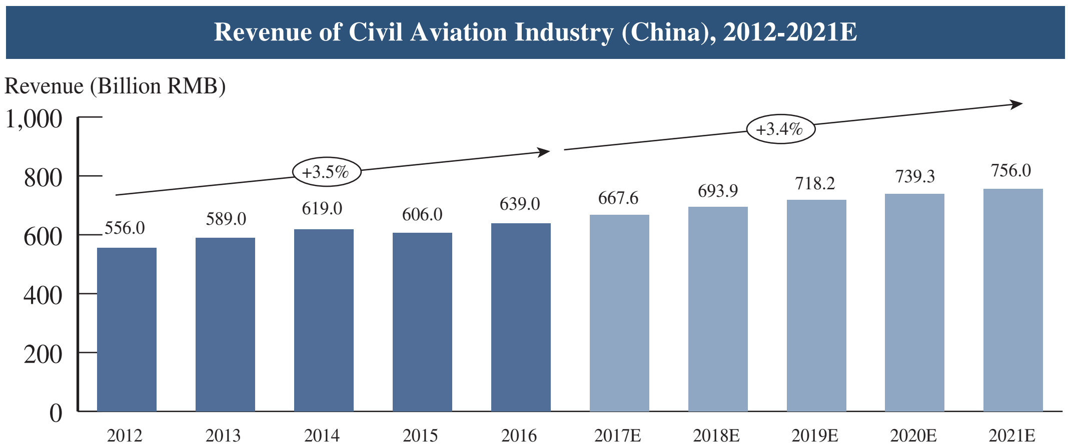


Source: Frost & Sullivan Report

Market Size of the Civil Aviation Industry in China

In line with the continuous growth of the macro economy, China's household disposable income has also increased. The increase of household disposable income has been driving the increase in demand for travel in China. Meanwhile, mass trading volume of merchandise has led to huge demand for cargo transportation. Therefore, this trend has been accelerating the development of China's civil aviation industry, including airport construction, airlines, airplanes and support businesses.

In the period from 2012 to 2016, the revenue of China's civil aviation industry increased from RMB556.1 billion in 2012 to RMB639.3 billion in 2016, realizing a CAGR of 3.5%. The following chart shows the historical and projected revenue of the civil aviation industry in China:



Source: Frost & Sullivan Report

Going forward, the China's National Development and Reform Commission has released "The 13th Five-Year Plan for the Civil Aviation Industry" (《中國民用航空發展第十三個五年規劃》), promoting the further development of the civil aviation industry in China. China's civil aviation industry is expected to continuously focus on the improvement of performance in safety, quality of services, innovations, technologies, etc. The revenue of China's civil aviation industry is estimated to reach approximately RMB756.0 billion in 2021, realizing a CAGR of 3.4% from 2016 to 2021.

In addition, the Ministry of Transport of PRC has recorded that the passenger traffic of civil aviation increased from 0.32 billion passengers in 2012 to 0.49 billion passengers in 2016, by a double-digit CAGR of 11.2%. Such growth was driven by the increasing demand for civil aviation, either for business trips or personal tours.

Furthermore, along with the continuous growth in China's overall economy, the civil aviation industry has been observing steady growth. According to the CAAC, the number of certified transport airports increased from 183 in 2012 to 218 in 2016, realizing a CAGR of 4.5%. Going forward, according to "The 13th Five-Year Plan for the Civil Aviation Industry", the number of certified transport airports is likely to increase to 260 in 2020. The further increase in number of certified airports is expected to be driven by the continuous growth of the logistics industry and the tourism industry.

Market Drivers of the Civil Aviation Industry in China

According to the Frost & Sullivan Report, the market drivers of the civil aviation industry of China are as follows:

- **Rising of China's Position in the Global Economy:** China maintained stable growth in nominal GDP over the past five years from RMB54.0 trillion in 2012 to RMB74.4 trillion in 2016. The rapid growth in the macro economy has resulted in the rise of China's position in the global economy. China is playing an important role in globalization of business and international trading, which is driving the demand for airlines and airports, either for business trips or transportation of goods. Going forward, China is expected to continue the stable economic growth, resulting in the further development and expansion of the civil aviation industry.

- **Increasing Number of Certified Transport Airports:** Over the past five years, China spent huge investment and capital in infrastructure construction, including the construction of airports. The number of certified transport airports in China has increased from 183 in 2012 to 218 in 2016, driving the expansion in investment in airline companies and support businesses. China's National Development and Reform Commission has released "The 13th Five-Year Plan for the Civil Aviation Industry", which is expected to increase the number of airports to 260 in the next five years and further drive the development of China's civil aviation industry, leading the increasing demand for airplanes, supporting equipment, airlines, etc.

- **Growing Tourism Industry:** According to the China National Tourism Administration, domestic tourist arrivals in China increased from 3.0 billion persons in 2012 to 4.4 billion persons in 2016. The increasing demand for tourism is mainly caused by the growth of China's per capita annual disposable income, which increased from RMB16,500 to RMB23,800, driving the demand for airports and airlines. Going forward, China's per capita annual disposable income is expected to be over RMB36,800 in 2021. Therefore, the tourism industry is likely to remain growing, especially for outbound tourism, requiring the further development and expansion of the civil aviation industry.

- **Booming Logistics Industry:** In recent years, China's e-commerce market has experienced rapid and outstanding growth. As a result, hundreds and millions of merchandise items are trading online every day. This is driving the increase in cargo transportation. In particular, the cross-border e-commerce market is booming in recent years, leading to more cargo traffic at airports and requiring more cargo airline services in China.

OVERVIEW OF PBB MARKET

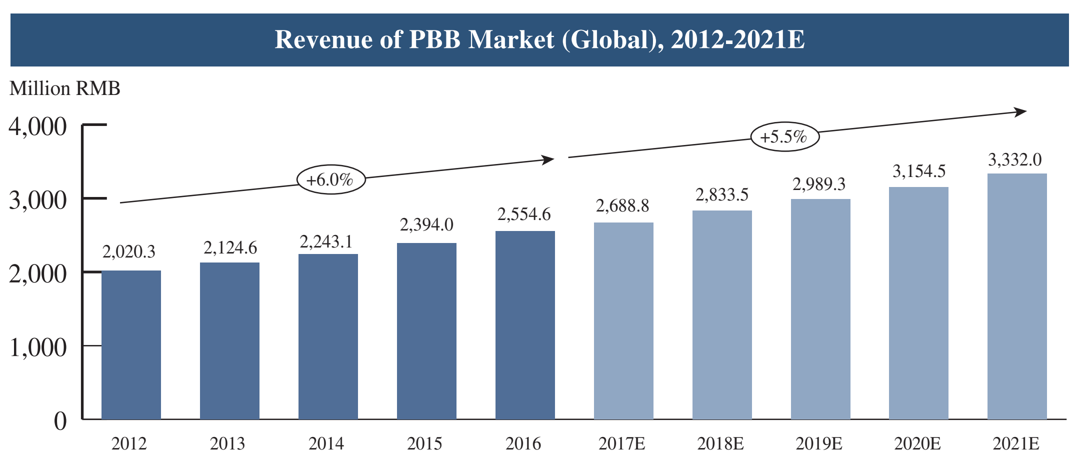
Introduction and Classification

Passenger boarding bridges are normally positioned as a type of key airport equipment for airports' daily operation. A passenger boarding bridge is a closed connecting channel between the aircraft and the airport terminal (or fixed bridge), which allows passengers to board and exit the aircraft. Based on the different application scenarios, PBBs can be classified into various product types, mainly including Pedestal PBB, Apron Drive Type PBB, Fixed Tunnel PBB, T-type PBB and A380 PBB.

Overview of the Global PBB Market

Market Size of the Global PBB market

Driven by the sustained development of the global civil aviation industry and continuous growth of air traffic volume, the revenue in the global PBB market experienced growth in recent from RMB2,020.3 million in 2012 to RMB2,554.6 million in 2016, representing a CAGR of 6.0%, according to the Frost & Sullivan Report. Looking forward, the global PBB market is estimated to maintain a stable growth pace underpinned by growing market demand driven by increasing airline passenger traffic as well as the further airport infrastructure development of emerging regions like the Middle East and Asia Pacific. The revenue in the Global PBB market is forecast to reach approximately RMB3,332.0 million in 2021, realizing a CAGR of 5.5% from 2016 to 2021. The following chart shows the historical and projected revenue of the global PBB market:



Source: Frost & Sullivan Report

Market Drivers of the Global PBB market

According to the Frost & Sullivan Report, the market drivers of the global PBB market are as follows:

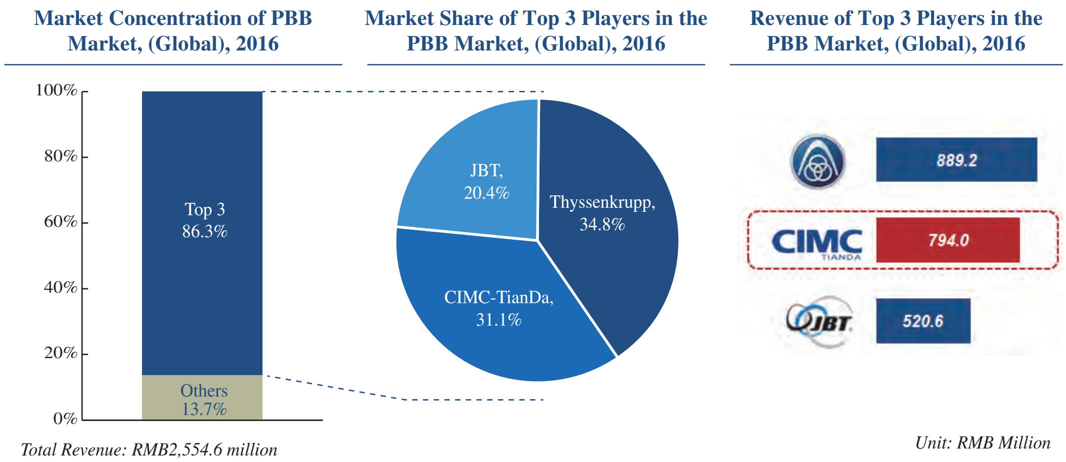
- **Recovery of Global Economy:** The global economy was negatively affected during the world financial crisis. Afterwards, many countries were committed to reinvigorating the world economy by trade promotion, policy supports, technology innovation, international cooperation, etc. According to the International Monetary Fund (IMF), the global GDP remains in a steady recovery from USD74.5 trillion in 2012 to USD75.4 trillion in 2016. Further, it is expected to increase to USD98.3 trillion in 2021, driving the increase of investment in international civil aviation industry. As a result, the demand of PBB products is likely to grow consistently.

- **Growth of World Passenger Traffic:** The global civil aviation industry experienced substantial growth during the past five years. According to ICAO, world passenger traffic increased from 5.5 trillion RPKs in 2012 to 7.1 trillion RPKs in 2016, realizing a CAGR of 6.6%. The growth of the global civil aviation industry can result in more business orders for PBB products.

- **Thriving Civil Aviation Industry in Emerging Markets:** The growth of the global civil aviation industry has focused eastward during the period from 2012 to 2016. Driven by the rapid development of manufacturing and tourism, China is ranked No.1 in terms of total international (scheduled and non-scheduled) RPKs by ICAO. Emerging markets like India, Vietnam and Thailand have also witnessed fast growth in the civil aviation industry. Therefore, the increasing airport construction demand and passenger traffic in these emerging countries is estimated to further drive the purchase and maintenance of PBB products.

Competitive Landscape of the Global PBB Market

The global PBB market is highly concentrated. The top three players occupied 86.3% market share and realized a total revenue of RMB2,203.8 million. The following chart shows the market share of the top three players in the global PBB market:



Source: Frost & Sullivan Report

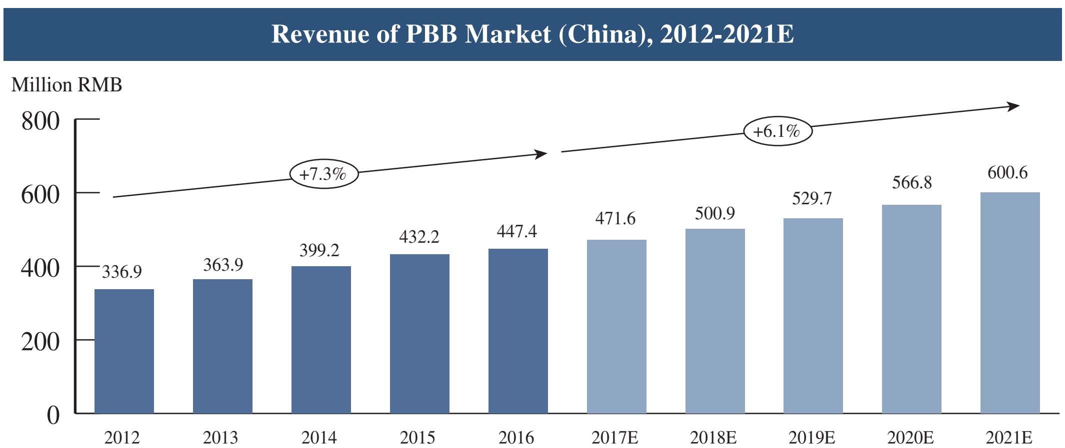
According to the Frost & Sullivan Report, for the Global PBB market in 2016, Thyssenkrupp and TianDa ranked first and second place, with revenue of RMB889.2 million and RMB794.0 million, respectively, holding market shares of 34.8% and 31.1%. JBT, with revenue of RMB520.6 million, ranking third in the Global PBB market in 2016. In particular, TianDa is the second largest PBB manufacturing and sales company in 2016 in the world in terms of revenue.

Overview of the PBB Market in China

In China, the aircraft PBB market has been developing since the 1990s. As a PBB is a technically demanding equipment, China's PBB market is highly concentrated with limited manufacturers. TianDa, one of the largest PBB manufacturers in China, almost dominated China's PBB market with over 90% of the market share.

Market Size of the PBB Market in China

According to the Frost & Sullivan Report, along with the continuous airport upgrading and construction in China, the revenue of China's PBB market rapidly increased from RMB336.9 million in 2012 to RMB447.4 million in 2016, representing a CAGR of 7.3%. In the coming five years, China's PBB market is estimated to maintain the steady growth pace due to the increasing upgrading demand for PBB at existing airports and new airport construction plans issued by CAAC. The revenue of China's PBB market is anticipated to reach approximately RMB600.6 million in 2021, realizing a CAGR of 6.1% from 2016 to 2021. The following chart shows the historical and projected revenue of the PBB market in China:



Source: Frost & Sullivan Report

Market Drivers of the PBB Market in China

According to the Frost & Sullivan Report, the market drivers of the PBB market in China are as follows:

- **Increasing Airport Construction Demand:** Growing demand for new PBB is the key market growth foundation for PBB market, which is normally driven by increasing airport construction demand. According to the Civil Transport Airport Plan issued by CAAC, over 100 new airports are planned to be built in China by 2025, which is expected to bring more business orders for PBB products.

- **The Belt and Road Initiative:** The Belt and Road Initiative is a development strategy proposed by China's central government that focuses on connectivity and cooperation between Eurasian countries, including infrastructure investment and support. Along with the further implementation of the "Belt and Road Initiative", more business opportunities for China's airport equipment manufacturers are estimated to be brought.

- **Thriving Civil Aviation Industry:** As the direct downstream industry of the PBB market, China's civil aviation industry witnessed substantial growth during the past five years. The CAGR of passenger traffic volume of civil aviation and revenue of PRC airline companies realized 11.2% and 4.8%, respectively, during 2012 to 2016. The thriving civil aviation industry is anticipated to sustain the development of China's PBB market.

- **Growing Demand for PBB Maintenance:** The average service life of PBB is around 20 years and PBB also require periodic inspection and maintenance during the service period. Along with the increasing airport construction in China, the inventory of PBB in China surged to approximately 2,000 by 2016, which is expected to spur growing demand for PBB maintenance business and thereby driving the development of China's PBB market.

Opportunities and Threats of the PBB Market in China

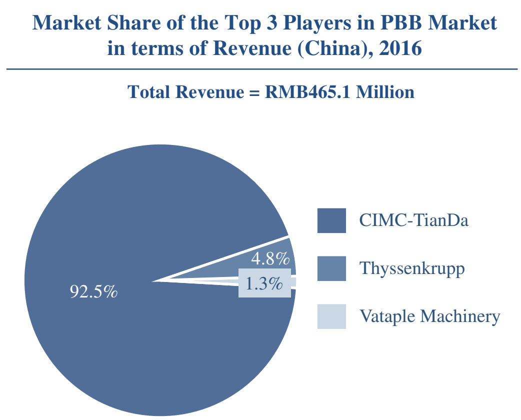
According to the Frost & Sullivan Report, the future opportunities and threats of the PBB market in China are as follows:

- **Continuous Policy and Government Support:** the Chinese government has issued a series of relevant policies to support the development of China's PBB market. In 2016, PBB was first listed in the High-technology Industry Directory and PBB was identified as a high-end equipment manufacturing industry. In the same year, CAAC issued the updated national standard about PBB products (MH/T 6028 – 2016) in order to set an advanced manufacturing benchmark of PBB comparable to the European standard. Sustained government policy is anticipated to bring more development opportunities to China's PBB market.

- **Growing Manufacturing Costs:** Major manufacturing costs of PBB are raw materials, such as steel, and human resources. China's steel price index has doubled in the past two years and the average annual wages of China's manufacturing industry in 2016 were over 40% higher than those in 2012. Raw materials and human costs take up over 80% of the manufacturing cost of PBB in China. The growing steel price and labor costs will inevitably result in increased production costs of PBB, which is likely to reduce the profit margin of PBB manufacturers and pose threats to the PBB market.

Competitive Landscape of the PBB Market in China

According to the Frost & Sullivan Report, China's PBB market is concentrated with a limited number of market players. The PRC market is dominated by TianDa, an integrated PBB manufacturer in China, which took up approximately 92.5% of the market share in terms of revenue in 2016. Other market players in China's PBB market include Thyssenkrupp, Vataple Machinery and JBT. Their production capacity and bargaining power are relatively much smaller than CIMC-TianDa in the PRC market. The following chart sets forth the market share of the top three players in the PBB market in China in terms of revenue in 2016:



Ranking	Company	Revenue in 2016 (Million RMB)	Market Share (%)
1	CIMC-TianDa	414.0	92.5%
2	Thyssenkrupp	21.6	4.8%
3	Vataple Machinery	5.8	1.3%
	Total	**447.4**	**100.0%**

Source: Frost & Sullivan Report

OVERVIEW OF THE GSE MARKET

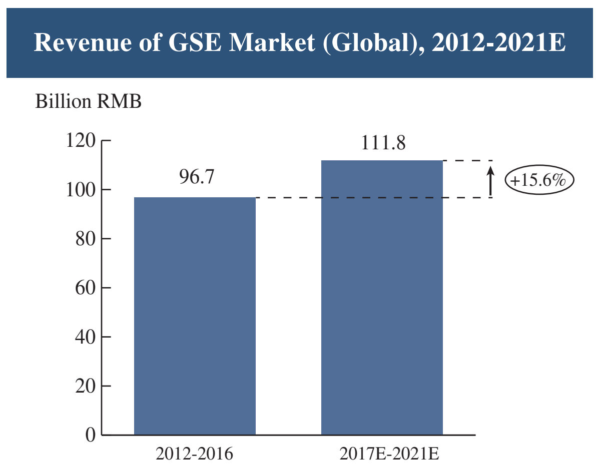
Introduction and Classification

Ground support equipment ("**GSE**") is the support equipment used to service aircraft between flights at airports. Airport GSE comprises a diverse range of vehicles and equipment necessary to service aircraft during passenger and cargo loading and unloading, maintenance, and other ground-based operations. Generally, there are more than 20 kinds of GSE that can be found and applied at an airport. GSE can be classified into non-powered equipment and powered equipment. Non-powered equipment are those items of auxiliary equipment used for powered vehicle equipment and mechanics such as dollies, aircraft tripod jacks and aircraft service stairs. Most of the GSE are powered equipment, which are normally different kinds of service vehicles with various functions.

Overview of the Global GSE Market

Market Size of the Global GSE Market

According to the Frost & Sullivan Report, the global GSE market has experienced stable development in the past five years with average annual revenue of around RMB19.3 billion from 2012 to 2016. Underpinned by growing upgrading and new deployment demand around the world, the global GSE market is expected to achieve 15.6% revenue growth in the coming five years from 2017 to 2021 as compared with the past five years. The following chart shows the historical and projected revenue of the global GSE market:



Source: Frost & Sullivan Report

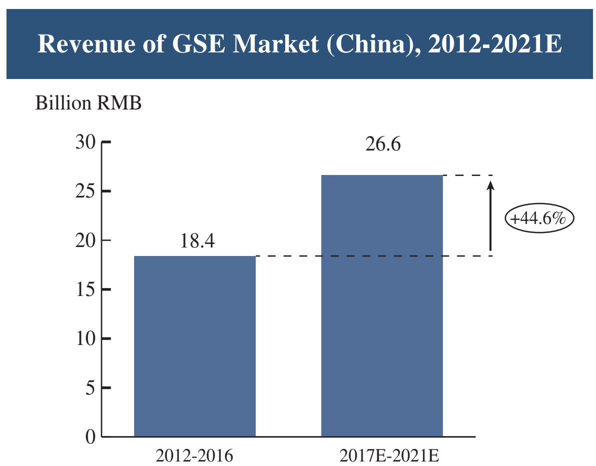
Competitive Landscape of the Global GSE Market

According to the Frost & Sullivan Report, the global GSE market is scattered with a large number of GSE manufacturers from different countries. There is a limited number of specialized GSE manufacturers in the world who can cover extensive GSE production lines. Most of the manufacturers can only produce specific kinds of GSE. Leading players in the global GSE market include TLD, TREPEL, JBT, Sovam and TUG.

Overview of the GSE Market in China

Market Size of the GSE Market in China

According to the Frost & Sullivan Report, China's GSE market realized approximately RMB18.4 billion in revenue during the past five years from 2012 to 2016, owing to the flourishing development of China's civil aviation industry and airport infrastructure construction. Looking forward, benefiting from the continuing new airport construction plan and upgrading and maintenance of current GSE, the revenue of China's GSE market is expected to reach around RMB26.6 billion in the next five years from 2017 to 2021, achieving 44.6% growth compared with the past five years. The following chart shows the historical and projected revenue of the GSE market in China:



Source: Frost & Sullivan Report

Competitive Landscape of the GSE Market in China

According to the Frost & Sullivan Report, China's GSE market is relatively fragmented with a number of small and medium-sized domestic GSE manufacturers who have limited production capability for high-end GSE. Guangtai is currently the largest domestic GSE manufacturer in China. It covers a wide variety of GSE categories and its production capability for high-end GSE is much stronger than other domestic players.

OVERVIEW OF THE MHS MARKET

Introduction and Classification

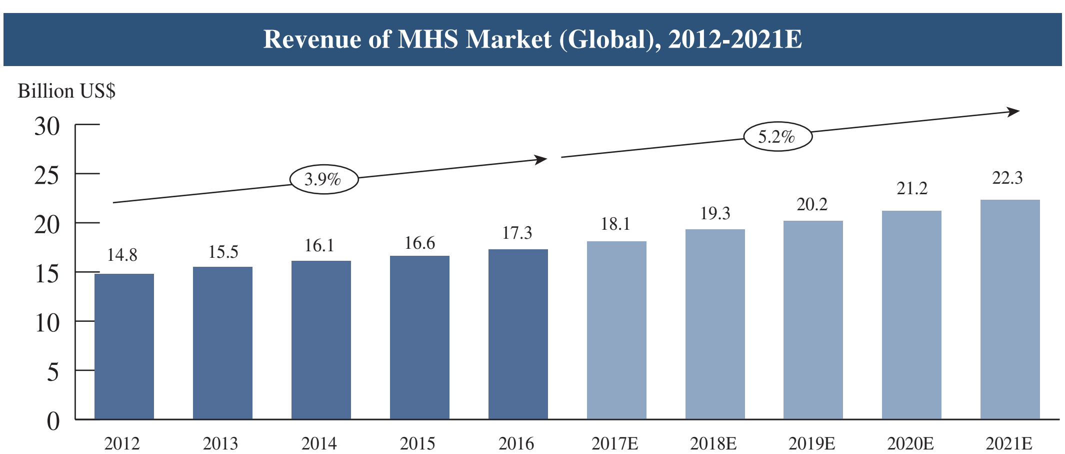
Material handling system ("**MHS**") is a type of automated logistics system which integrates a series of automatic logistics facilities and systems, including auto-stereo storage systems, conveyors, sorting systems, logistics software, etc.

Overview of the Global MHS Market

According to the Frost & Sullivan Report, the global MHS market showed stable growth along with the application of more and more intelligent automation equipment in various industries. The revenue of the global MHS market increased from about US$14.8 billion in 2012 to approximately US$17.3 billion in 2016, with a CAGR of 3.9%.

It is forecast that the global MHS market is likely to maintain its steady growth in the following five years from 2017 to 2021, reaching approximately US$22.3 billion in 2021, representing a CAGR of 5.2%. According to the Frost & Sullivan Report, the market is expected to be continuously driven by emerging markets, such as developing countries, and increasing application of automated MHS systems in various kinds of industries.

The following chart shows the historical and projected revenue of the global MHS market:



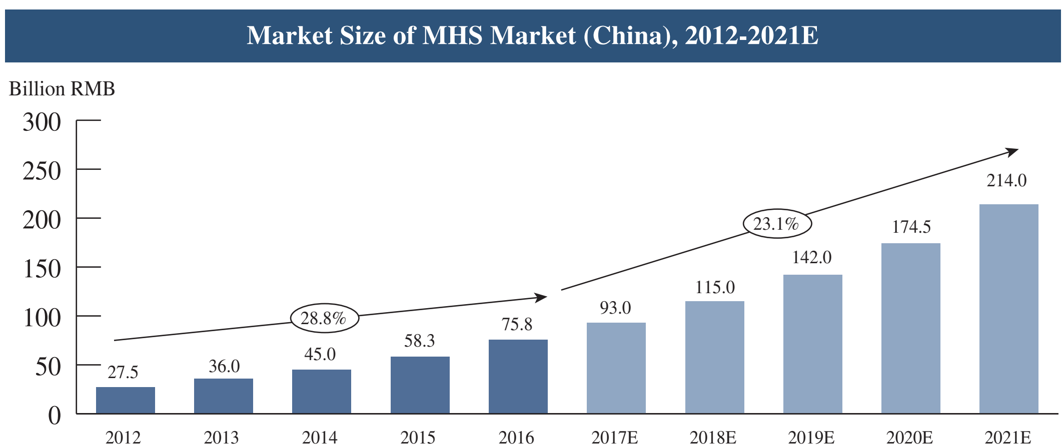
Source: Frost & Sullivan Report

Overview of the MHS Market in China

Market Size of the MHS Market in China

According to the Frost & Sullivan Report, thanks to the booming logistics industry sustained by the e-commerce industry as well as China's continuous economic development, China's MHS market has witnessed rapid growth during the past several years with a CAGR of 28.8% from 2012 to 2016. China's MHS market is forecast to maintain steady growth in the following five years from 2017 to 2021, reaching approximately RMB214 billion in 2021. The market is expected to be continuously driven by the industrial automation transformation and increasing application of automated logistics systems in the traditional logistics industry, according to the Frost & Sullivan Report.

The following chart shows the historical and projected revenue of the MHS market in China:

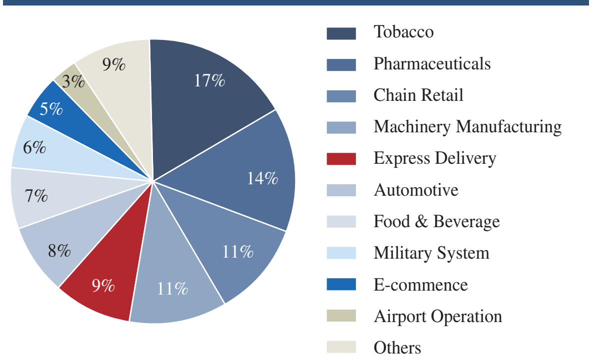


Source: Frost & Sullivan Report

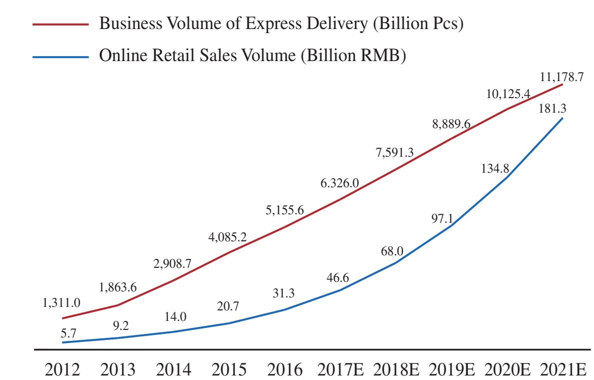
Market Drivers of the MHS Market in China

According to the Frost & Sullivan Report, among various downstream industries of MHS products, express delivery, e-commerce and airport operations accounted for approximately 17% of the market share in 2016, representing a market size of around RMB12.9 billion for the MHS market. The following charts set forth the breakdown of downstream application industries, the key index of express delivery and e-commerce industry:

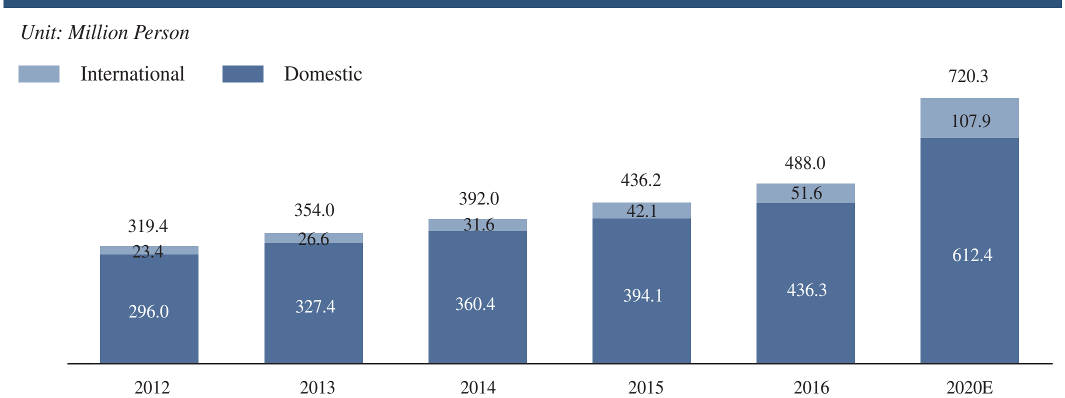
Downstream Application Industry of MHS, (China), 2016



Key Index of Express Delivery and E-commence Industry, (China), 2012-2020E



Civil Aviation Passenger Traffic Volume, (China), 2012-2016, 2020E



Source: Frost & Sullivan Report

During the past five years from 2012 to 2016, the performance of express delivery, e-commerce and airport operations in China showed a decent growth pace. According to the Frost & Sullivan Report, driven by the robust and steady growth of these industries, China's MHS Market for express delivery, e-commerce and airport operations is estimated to reach around RMB47.1 billion in revenue in 2020, with a CAGR of 29.6%.

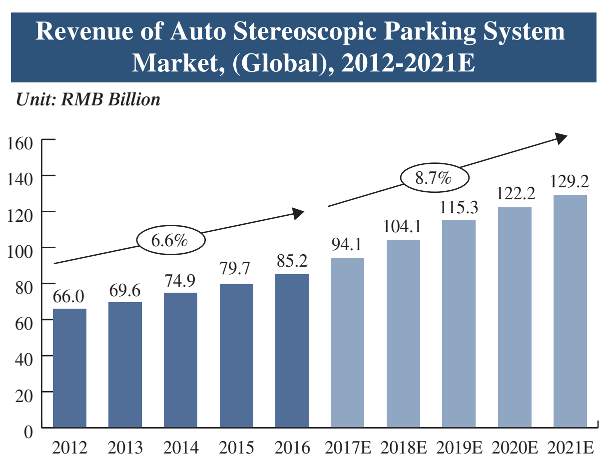
OVERVIEW OF THE AUTO STEREOSCOPIC PARKING SYSTEM MARKET

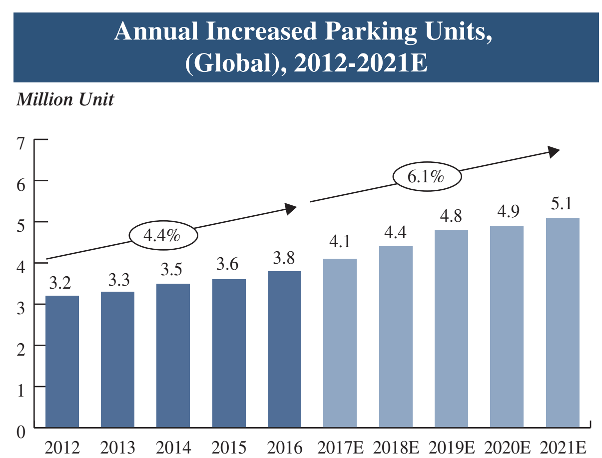
Introduction and Classification

An auto stereoscopic parking system, also known as mechanical equipment for parking automobiles, is a mechanical system designed to minimize the area required for parking cars. Auto stereoscopic parking systems can be classified into several types in terms of the different car-parking mechanical models, such as Lift-sliding Mechanical Parking System ("**PSH**"), Aisle-stack Mechanical Parking System ("**PXD**"), Vertical Lifting Mechanical Parking System ("**PCS**"), Vertical Circulating Mechanical Parking System ("**PCX**"), Lever Circulating Mechanical Parking System ("**PSX**") and Mini Mechanical Parking System ("**PJS**").

Market Size of the Global Auto Stereoscopic Parking System Market

According to the Frost & Sullivan Report, the revenue of global auto stereoscopic parking system market increased from approximately RMB66 billion in 2012 to RMB85.2 billion in 2016, with a CAGR of 6.6%. The number of annul global newly-increased parking units of stereoscopic parking system also reached over 3.5 million in recent years. The following charts set forth the revenue of the global auto stereoscopic parking system market and the annual increased parking units for the years indicated:

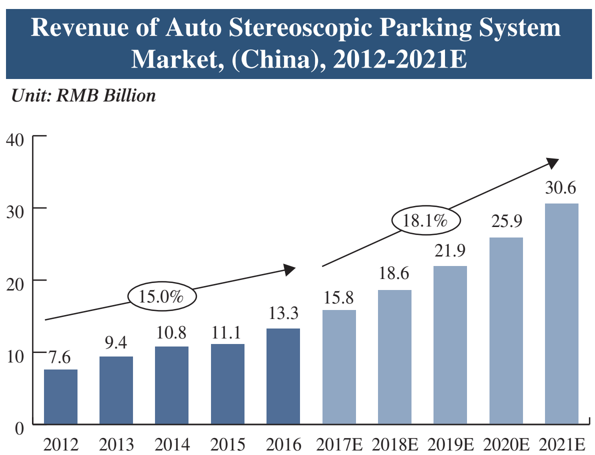


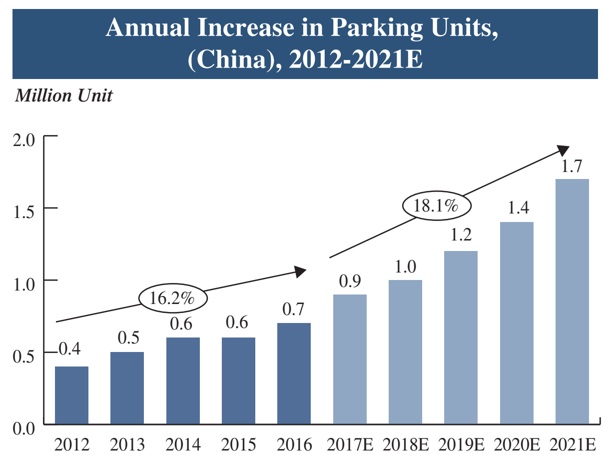


Source: Frost & Sullivan Report

Market Size of the Auto Stereoscopic Parking System Market in China

According to the Frost & Sullivan Report, China's auto stereoscopic parking system market is still in the developing stage and the market is relatively fragmented with over 500 manufacturers. Most of the stereoscopic parking system manufacturers are small-scale players with limited technical know-how and focus on middle-to-low-end types of products such as PSH. The following charts set forth the revenue of China's auto stereoscopic parking system market and the annual increased parking units of China for the years indicated:





Source: Frost & Sullivan Report

Faced with the parking shortage caused by China's increasing number of private vehicles, China's auto stereoscopic parking system market has ushered in a rapid development stage. According to the Frost & Sullivan Report, in the past five years from 2012 to 2016, the revenue of China's auto stereoscopic parking system market increased from RMB7.6 billion to RMB13.3 billion, with a CAGR of 15.0%. The number of newly-increased units of stereoscopic parking systems also reached around 2.8 million during the same period.

According to the Frost & Sullivan Report, in the foreseeable future, the number of car parking units in China is expected to reach over 300 million in 2021, which is expected to further affect the parking area shortage in China, especially in those tier 1 and tier 2 cities with a large number of parking units. Based on the above assumption, the auto stereoscopic parking system market in China is forecast to keep its strong growth momentum in the years from 2017 to 2021. The revenue of China's auto stereoscopic parking system market is likely to reach approximately RMB30.6 billion in 2021, representing a CAGR of 18.1% from 2016 to 2021. The number of newly-increased units of stereoscopic parking systems in China is also estimated to reach around 6.2 million during 2017 to 2021.

IV. REGULATORY OVERVIEW

Set out below is a summary of the most significant laws and regulations that affect the Pteris Group's business and operations in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to the Pteris Group.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Companies with limited liability and joint stock companies with limited liability established and operating in the PRC are subject to the Company Law of the PRC (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was passed by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993 and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution. The establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labor matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Rules of the Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) (the "**Implementation Rules**"), which were promulgated by the Ministry of the Foreign Economic Relation and Trade of the PRC on 12 December 1990 and amended by the PRC State Council (the "**State Council**" on 12 April 2001 and 19 February 2014 respectively. The Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprise (《外商投資企業設立及變更備案管理暫行辦法》) (the "**Provisional Measure**"), is promulgated by the Ministry of Commerce PRC (the "**MOFCOM**") came into force on 8 October 2016, and is amended on 30 July 2017.

Under the Wholly Foreign-owned Enterprise Law, the Implementation Rules and the Provisional Measures, applications for the establishment of the foreign-invested enterprise which is subject to the implementation of special administrative measures for admission, shall be submitted for examination and approval by the State Council department in charge of foreign economic relations and trade, or a body authorized by the State Council. In the event of a division, merger or other major changes to such a foreign-invested enterprise, it shall report to, and seek approval from, the examining and approving body and carry procedures for registration of such changes with the industrial and commercial administrative authorities. Establishment or other major changes of foreign-invested enterprises which are not subject to the implementation of special administrative measures for admission stipulated by the State Council shall be only subject to filling administration.

If there is any change to the foreign-invested enterprise which has been established upon the approval and the changed foreign-invested enterprise is not subject to the special administrative measures for permits stipulated by the State, the foreign-owned enterprise shall complete filing formalities, and its Certificate of Approval for the Foreign-invested Enterprise shall become invalid upon the completion of the filing formalities.

LAWS AND REGULATIONS RELATING TO IMPORTING AND EXPORTING GOODS

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on 12 May 1994 and amended on 6 April 2004, 7 November 2016 and the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on 25 June 2004 and amended on 18 August 2016, foreign trade operators engaged in imports and exports of goods or technologies shall file records with the foreign trade department of the State Council or its authorized agency, unless otherwise stipulated by the laws, administrative regulations or the foreign trade department of the State Council. Foreign trade operators that have not filed for registration in accordance with the provisions will be declined by the Customs to carry out the customs clearance and inspection procedures for import and export of goods.

The Customs Laws of the PRC (the "**Customs Law**") (《中華人民共和國海關法》) was promulgated by the SCNPC on 22 January 1987 and was respectively amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November, 2016 and 4 November 2017. Pursuant to the Customs Law, unless otherwise stipulated, the declaration of import and export goods may be consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. In addition, the consignor or consignee of the goods exported or imported and the customs broker must register themselves for declaration activities at the customs office.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The principal legal provisions for the protection of holders of registered trademarks are set out in both the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on 23 August 1982 and amended respectively on 22 February 1993, 27 October 2001, and 30 August 2013, and the Regulation on Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002, amended on 29 April 2014 and effective on 1 May 2014. Trademarks approved and registered by the trademark bureau are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks, trademark registrants enjoy exclusive rights to use trademark and are protected by the law. A trademark registrant may execute a trademark licensing contract to license the use of its registered trademark.

The Copyright Law of the PRC (Revised in 2010) (《中華人民共和國著作權法》) (2010年修訂) provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the PRC on 20 February 2002, governs the registration of software copyright and to the registration of exclusive software copyright licensing contracts and transfer contracts. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China is designated as the software registration authority.

According to the Patent Law of the PRC (Revised in 2008) (《中華人民共和國專利法》)(2008修訂) promulgated by the SCNPC, and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則》)(2010年修訂) promulgated by the State Council, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC and there three types of patents, which is invention, utility model and design. The validity period of patent rights for an invention shall be 20 years, the validity period of patent rights for a utility model or a design shall be 10 years, the validity period shall commence from the date of application. Invention and utility models in which patent rights are granted shall possess novelty, creativity and practicability.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC and amended on 24 April 2014, and came into force on 1 January 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. According to the Environmental Protection Law, enterprises and other manufacturers shall prevent and reduce environmental pollution and ecological damage as well as take the liabilities for the damages caused.

LAWS AND REGULATIONS RELATING TO THE MANUFACTURING OF SPECIAL AIRPORT EQUIPMENT

In accordance with the Law on Civil Aviation of the PRC (《中華人民共和國民用航空法》) promulgated by the Standing Committee on 30 October 1995 and amended respectively on 24 April 2015 (effective from 24 April 2015), 7 November 2016 (effective from 7 November 2016) and 4 November 2017 (effective from 5 November 2017) and Regulations for the Administration of Special Equipment at Civil Airports (《民用機場專用設備管理規定》) implemented on 14 September 2005, amended respectively on 13 April 2016 (effective from 14 May 2016) and 1 April 2017 (effective from 1 May 2017), before 14 May 2016 (effective date of amended Regulations for the Administration of Special Equipment at Civil Airports), special equipment used in civil airports, shall be inspected by inspection agencies authorized by the General Administration of Civil Aviation. Once an inspection report issued by the agencies is received, a notice will be given and published by the General Administration of Civil Aviation for qualified special equipment. Special equipment in respect of which a qualified equipment inspection report has not been obtained shall not be used in civil airports.

REGULATION FOR MONITORING SAFETY OF SPECIAL EQUIPMENT

In accordance with provisions of the Regulations for Monitoring Safety of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on 24 January 2009, entities propose to engage in the production (design, manufacturing, installation, conversion, maintenance), application and inspection/testing of special equipment listed in the Special Equipment Catalogue (《特種設備目錄》) are required to obtain the permission of national authorities for quality supervision, inspection and quarantine (namely the TS certification) before commencing such activities. According to the Special Equipment Catalogue (《特種設備目錄》), special equipment requiring TS certification shall include, but not limited to, lifting equipment. Production activities in violation of the aforesaid regulations will be banned by national authorities for quality supervision, inspection and quarantine, and products illegally manufactured will be forfeited, orders will be given for restoration to the original state of conditions and a fine will be imposed. Where actions constitute legal offences are constituted, criminal prosecution under the law will be pursued. Special equipment shall be registered with the authorities for quality supervision, inspection and quarantine where the special equipment is to be used or within 30 days after being put into use. If an enterprise violates the aforesaid regulation, orders will be given for making corrections within the time limit and a fine will be imposed. If the circumstances are serious, orders will be given to stop using the equipment or stop the business for rectification.

However, pursuant to the Notice of People's Government of Guangdong Province on Forwarding the Reply of the State Council on Approving Guangdong Province Deepening the Reform of Administrative Approval System to Try and Implement on Priority During the 12th Five-year Plan Period (廣東省人民政府轉發《國務院關於同意廣東省"十二五"時期深化行政審批制度改革先行先試的批覆》的通知) and the Circular of the Reform of Administrative Approval System by Administration of Quality and Technology Supervision of Guangdong Province (third) (廣東省質監局行政審批制度改革事項公告(三)), in Guangdong Province, a company is not required to obtain qualification for installation, alteration and maintenance of lifting equipment if the company has obtained qualification for designing and manufacturing such equipment.

The Pteris Directors, having taking into account the advice of the PRC legal advisors of CFE, confirmed that as of the Latest Practicable Date, the Pteris Group had obtained all requisite licenses, permits and certificates that are material for its current operations from the relevant government authorities in accordance with applicable laws and regulations. The table below sets forth the requisite licenses, permits and certificates as of the Latest Practicable Date that are material for Pteris Group's business:

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
1.	Business License	Deli Jiuzhou Automatic Logistics System (Beijing) Co., Ltd.	Beijing Administration of Industry and Commerce	Technical development of logistics systems, technology transfer and import/export business	30 April 2035

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
2.	Business License	CIMC Deli Logistics System (Suzhou) Co., Ltd.	Kunshan Market Supervisory Authority	The research and development, design, production, manufacturing, installation, on-site repair and maintenance of automated handling equipment for aviation logistics	14 September 2037
3.	Business License	Shenzhen CIMC-TianDa Airport Support Ltd.	Shenzhen Market Supervisory Authority	The production and operation of mechanical and electrical equipment for use in airports and seaports, mechanical products, automated parking systems and equipment, automated logistics and warehousing systems and equipment, and special equipment for use in airports	18 July 2022
4.	Business License	Shenzhen CIMC-TianDa Airport Support Ltd. Hefei Branch	Hefei Administration of Industry and Commerce	Installation and after-sales services for automated garage systems and equipment, operation and management services for parking lots	8 July 2022

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
5.	Business License	Shenzhen CIMC-TianDa Airport Support Ltd. Fuyong Branch	Shenzhen Market Supervisory Authority	Production and operation of mechanical and electrical equipment, machinery products, automated parking systems and equipment, automated logistics and warehousing systems and equipment, and special equipment for use in airports	18 July 2022
6.	Business License	Kunshan CIMC Automatic Logistic Equipment Co., Ltd	Kunshan Market Supervisory Authority	The design, research and development, manufacturing and sale of automated logistics systems, air cargo handling systems, airport baggage handling systems, real-time logistics management information systems, on-site monitoring and control systems for industrial and residential buildings and information integration systems	Long term

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
7.	Business License	Shenzhen CIMC Intelligent Parking Co., Ltd.	Shenzhen Market Supervisory Authority	The installation and production of automated parking systems and equipment, machinery products, metal structure units, self-manufactured and distributed products	Long term
8.	Business License	Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd	Shenzhen Market Supervisory Authority	The research and development, production and sales of air-conditioning equipment and technology	6 January 2037
9.	Business License	Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd Jieyang Branch	Shenzhen Market Supervisory Authority	The research and development, production and sales of air-conditioning equipment and technology	Long term
10.	Overseas Investment Certificate	TianDa	Economic, Trade and Information Commission of Shenzhen Municipality	Passenger boarding bridges, airport baggage systems and other related businesses	Long term
11.	Business License	CIMC TianDa (Longyan) Investment Development Co., Ltd.	Longyan Administration for Industry and Commerce, Fujian Province	The investment and asset management of parking lot business	Long term

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
12.	Business License	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	Shenzhen Market Supervisory Authority	The development, design and manufacturing of automated logistics systems, real-time logistics management information systems, on-site monitoring and control systems for industrial and residential buildings and information integration systems, and the development and design of specialised vehicles	Long term
13.	Business License	Langfang CIMC Airport Equipment Limited Company	Dachang Hui Autoomous County Administration for Industry and Commerce	Manufacturing and operation of various equipment for the specific use of airports, and manufacturing plants rental service	Long term
14.	Business License	Xinfa Airport Equipment Ltd.	Beijing Administration for Industry and Commerce	The development, production, sale and maintenance of airport equipments	Long term
15.	Business License	Xinfa Airport Equipment Ltd. Langfang Branch	Dachang Hui Autoomous County Administration for Industry and Commerce	The development, production, sale and maintenance of airport equipments	Long term

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
16.	Registration Certificate	Pteris Global Limited	Accounting and Corporate Regaultory Authority (ACRA)	Installation of industrial machinery and equipment, mechanical engineering works, other specialised construction and related activities	N/A
17.	Registration Certificate	Pteris Global (USA) Inc	the State of Delaware	N/A	N/A
18.	Registration Certificate	Inter-Roller Investments Pte. Ltd	Accounting and Corporate Regulatory Authority (ACRA)	Bank/financial holding companies	N/A
19.	Registration Certificate	Inter-Roller Engineering Services Pte. Ltd	Accounting and Corporate Regulatory Authority (ACRA)	Infrastructure engineering services	N/A

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
20.	Manufacturing License of Special Equipment	Shenzhen CIMC-TianDa Airport Support Ltd.	State Administration for Quality Supervision and Inspection and Quarantine	Permitted to engage in the manufacturing of lifting machineries (Class: A, Category: Mechanical parking equipment)	23 March 2021
21.	Installation, Alteration, Repair & Maintenance License of Special Equipment	Shenzhen CIMC-TianDa Airport Support Ltd.	Guangdong Quality and Technical Supervision	Permitted to be engaged in the installation, modification and maintenance of mechanical parking equipment	15 February 2019
22.	Construction Enterprise Qualification Certificate	Shenzhen CIMC-TianDa Airport Support Ltd.	Shenzhen Housing and Construction Bureau	Mechanical and electrical installations in buildings with second class professional contractor qualifications	13 April 2021
23.	Airport Equipment Information Form	Shenzhen CIMC-TianDa Airport Support Ltd.	Civil Aviation Administration of China	Passenger boarding bridges of models BS-H and BL received acknowledgement from the China Civil Aviation Administration	N/A

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
24.	Safety Production License	Shenzhen CIMC-TianDa Airport Support Ltd.	Housing and Urban-Rural Development Department of Guangdong Province	Building construction	13 July 2019
25.	Airport Equipment Certificate	Shenzhen CIMC-TianDa Airport Support Ltd.	Civil Aviation Administration of China	The passenger boarding bridge of model BS has passed its verification and obtained the approval to be used in civil airport	20 January 2022
26.	Emission Permit	Shenzhen CIMC-TianDa Airport Support Ltd.	Shenzhen Habitat Committee	Permitted to emit exhaust air pollutants	26 September 2020
27.	Hefei Motor Vehicles Parking Permit	Shenzhen CIMC-TianDa Airport Support Ltd. Hefei Branch	Traffic Police Detachment of Hefei Public Security Bureau	Permitted to operate the parking lot at Haydn International Plaza	N/A
28.	Hefei Motor Vehicles Parking Permit	Shenzhen CIMC-TianDa Airport Support Ltd. Hefei Branch	Traffic Police Detachment of Hefei Public Security Bureau	Permitted to operate the parking lot at Greenland Huadu International Plaza	N/A
29.	Airport Equipment Certificate	Xinfa Airport Equipment Ltd.	Civil Aviation Administration of China	The airport apron bus of model KG-B6300S has passed its verification for approval	28 December 2020

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
30.	Aviation Ground Equipment Inspection Certificate	Xinfa Airport Equipment Ltd.	China National Construction Machinery Quality Supervision Testing Center	The airport apron bus of model KG-B6300EV has passed its verification for approval	6 March 2020
31.	Aviation Ground Equipment Inspection Certificate	Xinfa Airport Equipment Ltd.	China National Construction Machinery Quality Supervision Testing Center	The airport apron bus of model KG-B6300 has passed its verification for approval	21 December 2020
32.	Airport Equipment Information Form	Xinfa Airport Equipment Ltd.	Civil Aviation Administration of China	The aircraft catering vehicle of model XC-6000 has received the acknowledgement from the China Civil Aviation Administration	N/A
33.	Registration Form for A Foreign Trade Manager	Xinfa Airport Equipment Ltd.	Beijing Commerce Commission	Registered as a foreign trade business operator	N/A
34.	Registration Certificate of Declaration Entities of the Customs of the PRC	Xinfa Airport Equipment Ltd.	Beijing Customs of the PRC	Registered as consignee/consignor of import/export goods	Long term
35.	Registration Form of Entry-Exit Inspection and Quarantine Declaration Enterprises	Xinfa Airport Equipment Ltd.	Beijing Entry-Exit Inspection and Quarantine Bureau of the PRC	Registered as an enterprise to produce the entry-exit inspection and quarantine report	N/A

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
36.	Airport Equipment Information Form	Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd (Manufacturer), Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd Jieyang Branch (Producer)	Civil Aviation Administration of China	The aircraft ground air conditioning unit of models JDFX320-T2/T3/T4 have received the acknowledgement from the China Civil Aviation Administration	N/A
37.	Airport Equipment Information Form	Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd (Manufacturer), Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd Jieyang Branch (Producer)	Civil Aviation Administration of China	The aircraft ground air conditioning unit of models JDFX210-T2/T3/T4 have received the acknowledgement from the China Civil Aviation Administration	N/A
38.	Airport Equipment Information Form	Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd (Manufacturer), Shenzhen CIMC Tian Da Ji Rong Air Refrigeration Co., Ltd Jieyang Branch (Producer)	Civil Aviation Administration of China	The aircraft ground air conditioning unit of models JDFX160-T2/T3/T4 have received the acknowledgement from the China Civil Aviation Administration	N/A
39.	Service Registration Certificate of Special Equipment	CIMC TianDa (Longyan) Investment Development Co., Ltd.	Longyan Quality and Technical Supervision	Registered for the mobile on-ground mechanical parking equipment in the northern market	N/A

No.	License/Permit/ Certificate	Holder	Issuing Authority	Description of Business Governed by/Stipulated on the License/Permit/ Certificate	Validity Period/ Expiry Date
40.	Registration Certificate of Declaration Entities of the Customs of the PRC	CIMC Deli Logistics System (Suzhou) Co., Ltd.	Kunshan Customs of the PRC	Registered as consignee/consignor of import/export goods	Long term
41.	Registration Certificate of Declaration Entities of the Customs of the PRC	Deli Jiuzhou Automatic Logistics System (Beijing) Co., Ltd.	Beijing Customs of the PRC	Registered as consignee/consignor of import/export goods	Long term
42.	Self-inspection Registration Certificate	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	Shenzhen Entry-Exit Inspection and Quarantine Bureau of the PRC	Registered as an entity for its own entry-exit inspection and quarantine	N/A
43.	Registration Certificate of Declaration Entities of the Customs of the PRC	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	Shenzhen Customs of the PRC	Registered as consignee/consignor of import/export goods	Long term
44.	Registration Form for A Foreign Trade Manager	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	Economic, Trade and Information Commission of Shenzhen Municipality	Registered as a foreign trade business operator	N/A
45.	Pollutant Emission Permit issued by Hebei Province	Langfang CIMC Airport Equipment Limited Company	Langfang Environmental Protection Agency	Permitted to emit 0.526 tons of SO_2/year, 1.684 tons of NO/year, 3.84 tons of COD/year and 0.317 tons of NH_3/year	3 November 2018

V. BUSINESS OF THE PTERIS GROUP

1. BACKGROUND

Pteris is a company incorporated in Singapore. The Pteris Group specialises in four main business segments, namely PBB, GSE, MHS and APS. For each of the financial years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, the PBB segment was the largest contributor to the Pteris Group's revenue and profits. According to the Frost & Sullivan, the Pteris Group is currently one of the largest suppliers of airport equipment in the PRC, including PBBs, airport logistic systems and airport apron buses, and one of the largest suppliers of PBBs in the world. Please refer to section titled "3. Business Overview" below for further information on the Pteris Group's product offerings.

The Pteris Group products in its PBB segment and GSE segment typically sold to airport operators and airlines. The Pteris Group's customers include airports and airlines in the PRC and Europe. The Pteris Group has sold various products such as Fixed Tunnel, T-type PBB, Pedestal PBB, Apron Drive Type PBB and apron buses to customers in more than 50 countries.

The products which the Pteris Group offers in the MHS segment include unit air cargo handling systems, express courier handling system, airline inflight catering systems and baggage handling systems. The Pteris Group's MHS systems are designed to handle different types of cargo and baggage. In the APS segment, the Pteris Group designs and manufactures various types of automated vehicle parking systems, including shuttle transferring parking systems, vertical lifting parking systems, aisle stacking parking systems, lift and vertical and horizontal carriage parking systems and lift only parking systems.

In respect of market cooperation, the Pteris Group is actively leveraging on the brand advantage of CIMC. Currently it has already reached strategic cooperation with a number of well-known state-owned enterprises, such as China Construction Steel Structure Corp. Ltd. and China Resources Urban Transport Infrastructure Investment Co. Ltd., to jointly expand into construction projects of mechanical three-dimensional garages and internet platforms in cities at prefecture-level.

Currently, for the APS segment, the Pteris Group has developed three-dimensional garages for new energy public buses and other large tonnage vehicles. In terms of market regions, the Pteris Group is actively developing its business in Shenzhen. The Pteris Group expects the region to be an important market for the APS business.

The Pteris Group places strong emphasis on innovation and research and development ("R&D"). Such R&D efforts are necessary in order to improve the efficiency of the Pteris Group's manufacturing processes, and to ensure that the Pteris Group is able to engineer and customise new products that would better cater to the needs of its customers. Over the years, the Pteris Group's R&D efforts have been validated by the numerous awards that it has won. The Pteris Group received the "National New Key Product Award" conferred by the Ministry of Science and Technology, PRC for its PBBs, air cargo handling systems and APS in 2006, 2007 and 2008 respectively. The Pteris Group was awarded the "Shenzhen Science and Technology Award" in 2010, the "Guangdong Province Science and Technology Award (Second Place)" for air cargo handling system in 2011, the "Enterprise with Intellectual Property Advantage in Guangdong Province" conferred the Guangdong Intellectual Property Office in 2012, the "Guangdong Province Enterprise of Observing Contract and Valuing Credit for 2015" conferred by the Guangdong Province Administration for Industry & Commerce and the "Guangdong Province Patent Excellence Award" conferred by the People's Government of Guangdong Province in 2016.

2. COMPETITIVE STRENGTHS

The Pteris Group believes that it possesses the following competitive strengths that give it an edge over its competitors.

Leading market position in the airport equipment industry

Over the years, the Pteris Group has established a leading market position in the airport equipment industry. The Pteris Group has sold various products such as Fixed Tunnel PBBs, T-Type PBBs, Pedestal PBBs, Apron Drive Type PBBs and apron buses to customers in more than 69 countries. In particular, the Pteris Group has manufactured and supplied more than 5,200 PBBs to airports across the world. According to Frost & Sullivan, in 2016, Pteris Group (including TianDa Group) was the second largest supplier of PBBs in the world in terms of revenue and the fifth largest supplier of airport logistic systems in the PRC in terms of contract value and the largest supplier of airport apron buses in the PRC in terms of revenue.

The Pteris Group's leading market position and long history of supplying reliable and high-quality products have helped to instil customer confidence in its products and services, and have enabled it to further expand its business operations and secure new business opportunities.

Strong R&D capabilities

The Pteris Group is dedicated to the R&D of new products and services in order to enhance its competitiveness. The Pteris Group possesses a strong and dedicated research and development team, with many of the core team members having more than 15 years of experience in technology and product design. Their ability to solve complex technical problems and strength in product design enable the Pteris Group to design new and more efficient products in order to respond quickly to market demands. By leveraging its strong R&D capabilities, the Pteris Group is able to build upon the sophisticated technologies that it develops and introduces products tailored to its customers' specific needs. The efficiency of the Pteris Group's manufacturing process is also improved and it is therefore able to reduce operating costs and improve operating efficiency. In addition, the Pteris Group's strong research and development capabilities have also enabled it to continually manufacture new and advanced products with significant commercial value.

Stringent quality control processes

The Pteris Group places strong emphasis on delivering high quality products. The Pteris Group has a quality assurance system that puts in place stringent quality control measures in order to ensure the quality of its raw materials, parts and components, and the Pteris Group also has strict quality control procedures established at every stage from marketing, R&D, and throughout its manufacturing process from procurement to final delivery. With the extensive experience of the Pteris Group's employees, some of whom have more than 20 years of experience in manufacturing management and production management, it is able to continually improve on the quality of its products and to reduce manufacturing costs by improving production efficiency and utilization, thereby increasing its competitive edge. The Pteris Group tests all finished products before they are delivered to its customers and if a problem is detected, failure analyses are conducted in order to determine the cause.

These quality control procedures and guidelines ensure that the Pteris Group is able to deliver high quality products tailored to its customers' needs and specifications.

The Pteris Group has also obtained ISO 9001 accreditation, which is a testament to its quality control processes.

Experienced and professional management team

The Pteris Group's senior management team has extensive experience in the airport facilities equipment industry, with some of the team members having more than 20 years of experience in the civil aviation industry. Their strong management capabilities, product and industry knowledge and business networks allow them to identify market trends and demands. Their ability to identify new business opportunities and strong commitment to achieving positive results has also contributed significantly to the growth of the Pteris Group's business and is vital to its continued growth and future development. Furthermore, the Pteris Group's project management team has undertaken numerous projects over the years and has extensive experience in managing projects of various sizes.

3. BUSINESS OVERVIEW

The Pteris Group's business is divided into four main segments, namely, PBB, GSE, MHS and APS. In addition to these four main segments, the Pteris Group has a services segment which is composed of the after-sales services provided to its customers, including equipment servicing and sale of spare parts for its products. In general, the Pteris Group provides warranty coverage for a period of at least 12 months for its products. After the expiry of the warranty period, the Pteris Group may continue to provide repair and maintenance services for a fee based on the services required.

The following is a summary of the different types of products that the Pteris Group offers to its customers:

PBB

PBBs are used to connect airport terminals to commercial aircraft, thus providing direct access for passengers from the terminal to the aircraft and vice versa. They provide all-weather comfort and safety for passengers between the airport terminal and aircraft. Depending on the customer's requirements, the Pteris Group is able to manufacture and provide PBBs which are hydraulically driven, electro-mechanically driven or driven by a combination of both hydraulics and electromechanics. In addition, the Pteris Group is able to design and manufacture PBBs which are customised to serve different types of aircraft or vessels in different environments, such as seaport PBBs which connect ferry terminals and ships. The Pteris Group has introduced or plans to introduce the following new products to the market:

(i) Visual Intelligent Aircraft Berth Guidance System

Visual intelligent aircraft berth guidance system is designed for aircraft to quickly, accurately, safely and reliably parked to the designated location and design of aircraft guidance equipment. Based on three-dimensional laser scanning technology and machine vision technology, dual-mode design, real-time aircraft nose cone, engine, nose wheel tracking positioning, the system accurately provides pilots through the large, bright LED display with docking aircraft flight information, the distance to the stop line, the direction of deviation from the guide line. The large LED display is equipped with high-brightness red and yellow LED lights, allowing pilots to read information clearly.

The unique docking guidance management system (DGMS) is capable of managing each independent guidance system remotely and is also capable of connecting to the airport terminal's information management system.

(ii) Pure Automatic Boarding Bridge

The boarding bridge calculates the optimal motion path based on the distances with the aircraft door, generates the motion control instructions in real time, and drives the execution components of the boarding bridge to complete the rotation of the boarding bridge, lifting and other movements, in order to achieve automatic connection of boarding bridge with aircraft door. At the departure of the aircraft, the boarding bridge automatically returned to the docking side, with the entire process without manual intervention. The product is a new development of boarding bridge automation and intelligence.

Expansion into the U.S. market

According to Frost & Sullivan, the annual market demand for boarding bridges in the U.S. accounted for approximately 25% of the global demand and is the highest in the world. Amongst the approximately 7,000 boarding bridges in the U.S. currently in use, it is expected that 2,000 of them require maintenance or replacement in the next five years, with the estimated demand of such replacement market amounted to approximately US$800 million in aggregate. TianDa Group has planned to build a new PBB factory in the U.S. in order to expand and develop its North American business. The location of the production base will be decided shortly and it is estimated that the construction will start in 2018 and the product will be brought to the U.S. market in early 2019.

GSE

GSE comprises various types of special vehicles, including, amongst others, aircraft de-icing vehicles, airport catering trucks, airport apron buses and aircraft cargo loader. Aircraft de-icing vehicles spray de-icing liquid at the aircraft's body to remove any ice formed on the surface. The inflight catering truck is a multi-purpose vehicle used primarily to transport food and beverage, luggage and other items, whilst the airport apron bus is used to transport passengers between terminal buildings and remote aircraft stands. The aircraft cargo loader is used to transport cargo to the cabin of the airplane. The Pteris Group has introduced or plans to introduce the following new products to the market:

(i) Electric Bi-directional Shuttle Car

The electric bi-directional shuttle car (純電動雙頭擺渡車) is the electric model of TianDa Group's fuel bi-directional shuttle car which has been well received in the PRC and abroad. The bi-directional shuttle cars have obvious advantage of lower energy costs and are able to meet the prominent trend of more environmentally-friendly transportation in the industry worldwide. TianDa Group also plans to introduce to the market an electric model of air catering vehicles.

(ii) Electric Airplane Tractor

Due to an airplane's enormous size, airplane tractor is typically a large energy consumption product. Currently, electric airplane tractors are not widely used commercially; certain airplane tractor consumes mainly lead-acid batteries. Based on lithium battery and electric control systems technologies used in TianDa Group's electric bi-directional shuttle cars, TianDa Group aims to develop an enduring, highly efficient and pure electric airplane tractor with long working hours.

MHS

The products offered in the MHS segment are principally used by airports, the energy industry and express logistics and manufacturing enterprises etc. to handle and transport different types of cargo and baggage. Such products include, amongst others, (i) the unit air cargo handling system, which is a self-propelled dual platform that transports containers and pallets; (ii) the automatic conveying system, where goods are transported either via a conveyor belt or an elevator; and (iii) the automatic sorting system, where materials are identified by a coding system and then transmitted to a specific location through an assembly line. MHS comprises the following sub-segments:

(i) BHS

Baggage handling systems ("**BHS**") are produced and installed at domestic and international airports for security screening, storage, sortation and transportation of departure baggage from check-in to departure gate, as well as transportation of transfer and arrival baggage. The maintenance diagnostic system, which is a 24-hour 7 days a week online diagnostic solution, can be used by the Pteris Group's service and maintenance engineers to monitor the operational status of the BHS online.

(ii) Automated Warehouse

An automated warehouse is a complete integrated system consisting of hardware and software including storage system, transport and distribution system as well as project planning. The main components are automated three-dimensional warehouse, automatic transport and handling facilities and software management system. In particular, its product mix mainly comprises stacking machines, shelves, conveyors, automated guided vehicles (AGVs), carrying robots, shuttle cars, various sorting machines, logistics software systems such as warehouse management system, as well as forklifts and trays. These are mainly used by two types of enterprises, i.e. production organisations for the storage and transportation of raw materials, semi-finished products and finished products; and high-turnover organisations for the storage and distribution of products. Typical examples include industries such as food and beverages, pharmaceuticals, apparels, tires sales, e-commerce and courier services.

(iii) E-commerce and Express Logistics System

Automatic sorting and distribution is the core of the e-commerce and express logistics system. In general, it consists of control devices, sorting devices, conveying equipment and distribution hubs. The function of the control device is to identify, receive and process sorting signals, and according to the requirements of the sorting signals, instruct the sorting device to sort the goods automatically by product varieties, delivery destinations or types of goods owners. The Pteris Group has recently introduced a new sorting device that could sort as many as 44,000 pieces of goods per hour. The Pteris Group will continue to leverage its R&D capability to introduce new products, in particular, more premium products, with a view to stimulating further growth. The Pteris Group has introduced or plans to introduce the following new products to the market:

(i) AGV (Automated Guided Vehicles)

Recently, the Pteris Group is in discussion on cooperation arrangements with certain science and technology institutions and plans to launch intelligent material handling robots in the logistics and intelligent parking industries in the future. The AGV is planned to be equipped with a maximum carrying capacity of 3,500 kg and will provide a more convenient way to handle products for the express logistics and intelligent parking industry customers.

(ii) KTLS-II High-speed Circular Sorter

KTLS-II high-speed circular sorter has a flexible layout, with a unique feature that allows users to install and debug easily. The new sorter has greatly increased the energy efficiency of the equipment, and minimized the costs throughout the equipment's life cycle. The system is designed to convey and sort difficult-to-handle items and is capable of performing with high sorting efficiency.

(iii) Express Delivery Business Sorting System - 3D Intelligent Design System

In response to the fast growing express delivery and e-commerce industry, the Pteris Group has introduced a 3D Intelligent Design System. The system simplifies input specification typically required to produce the delivery implementation plan and greatly reduces the project delivery time.

APS

With urban space becoming more densely populated and more expensive, car parking space can be more efficiently utilised and maximised with an APS in place. Based on the its customers' needs and specifications, the Pteris Group designs and manufactures different parking systems, including shuttle transferring parking systems, vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems. These systems have varying specifications and uses, which can be applied to car parking spaces with different physical constraints.

In response to the growing demand of more environmentally-friendly public transportation in Shenzhen, TianDa Group has developed a new mechanical smart bus parking garage. The mechanical smart bus parking garage makes good use of a limited space and is capable of significantly increasing the number of parking through intelligent management. As compared to traditional parking systems, the mechanical smart bus parking garage is equipped with the following advantages, namely; (i) maximize space utilization efficiency; (ii) convenient access to vehicles; (iii) more suited to the urban environment where land availability is limited; (iv) more centralised management of public transportation; and (v) comprehensive intelligent control.

4. BUSINESS PROCESS

The Pteris Group has developed a comprehensive set of business procedures for its operations, which are primarily as follows:

Solicitation of Orders and Business Opportunities

The Pteris Group's marketing and sales department is primarily responsible for establishing and maintaining customer relationships and securing orders from customers. The Pteris Group approaches potential customers and also corresponds with and conducts visits to its existing customers to maintain its relationships with them and to procure and secure new orders. In addition, the Pteris Group may also be able to secure orders from new customers with recommendations from existing customers.

Securing Orders

The Pteris Group's orders are secured by way of business contacts through its business development and marketing teams, as well as through open market tenders. The Pteris Group has staffs who monitor open tender offers called for around the world. The Pteris Group's marketing and manufacturing teams work together with other teams to submit a customised bid that meets the technical specifications of the order at a competitive price. In general, payments from customers are typically made in four instalments. Upon placing an order, a deposit of 15% to 30% of the contracted value of the order is generally required to be paid upfront. Prior to or upon inspection of the delivered products, the customer will pay the next instalments of 65% to 75% of the contracted value of the order. The remaining contracted value of the order would be paid when customer testing and acceptance has been completed, and a guarantee letter in favour of the customer with a value of 5% to 10% of the contracted value of the order is issued. The guarantee letter, which is issued to the customer to assure the quality of the Pteris Group's products, allows the customer to claim from the guarantor in the event of a defect in quality. However, if no guarantee letter is issued, then the remaining 5% to 10% of the contracted value of the order would only be paid by the customer at the end of the warranty period. However, depending on the customer, such contractual terms vary on a case-by-case basis.

Project Design and Engineering

The design and engineering work officially commences after a tender is successfully awarded. The scope of work relating to the level of design and engineering will be detailed in the contract. A detailed design and engineering review will be conducted by the Pteris Group's engineers. Thereafter, the Pteris Group's engineers will create project designs with the aim of allowing ease of purchase, fabrication and maintenance as well as optimisation of costs. The customer will be furnished with updates pertaining to the product design and the Pteris Group's team tracks and documents comments from the customer until the confirmation of its design by the customer.

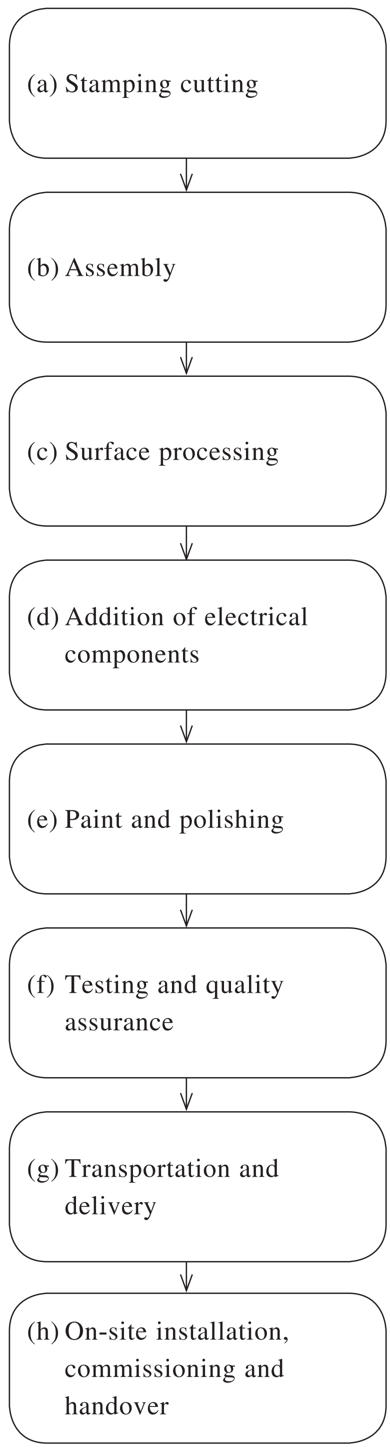
Procurement of Materials

Upon receiving the materials list prepared by the Pteris Group's engineering team based on the final approved product design, its procurement department would place orders with its suppliers in order to procure the necessary raw materials and components. The Pteris Group usually obtains quotes from several suppliers, which have been evaluated and ranked by it based on factors such as price, reliability, ability to meet delivery schedule, and the quality of their products and services. Furthermore, when it is necessary, the Pteris Group requests its suppliers comply with its purchase terms such as specified warranty periods calculated from the date of delivery to Pteris Group's ultimate customer.

Manufacturing Process

Upon securing an order and obtaining the raw materials required to manufacture and deliver the product to the Pteris Group's customer, its manufacturing team will commence the production and delivery process.

The following is a diagram of the general production and delivery process for the Pteris Group's products. The manufacture of airport facilities equipment is a fairly complex process, which involves multiple stages in order to ensure the safety, reliability and quality of the end product. Given the size of the products, the manufacturing facility requires a large site, equipped with machines that would be used for stamp cutting, welding, painting and other industrial processes:



(a) Stamp cutting

Steel plates are cut and processed into the various component parts of the products.

(b) Assembly

The various component parts which have been processed are then welded and assembled into a structural frame in accordance with the design of the product. In this stage, the Pteris Group relies on the use of suitable tools and equipment, as well as its stringent quality control processes in order to ensure that the structure is sound and reliable.

(c) Surface processing

The surface of the structure is then processed in order to meet the necessary technical specifications in relation to the thickness of the surface as well as paint adhesion.

(d) Addition of electrical components

The structure of the product is then fitted with the various mechanical and electrical components required for operation of the product, in order to complete the construction of the product.

(e) Painting and polishing

The product undergoes painting and polishing in order to prevent early wear-and-tear.

(f) Testing and quality assurance

Upon completion of the assembly and construction of the product, the Pteris Group would carry out various quality assurance tests at the production facility in order to ensure that all standards are met before the product is packaged for transportation.

(g) Transportation and delivery

Depending on the size of the product, the product may be divided into various parts for convenience of transportation before assembly onsite.

(h) On-site installation, commissioning and handover

When the Pteris Group's products arrive at its customer's site, its technical personnel will be present onsite to provide any required installation and assembly services. Furthermore, to ensure that the Pteris Group's customers understand the operation and functions of its products, it provides on-site operation and maintenance training.

Upon installation of the product at the Pteris Group's customer's site, it will typically extend to them a period for testing the product before they are required to indicate acceptance of the product.

After Sales

Operation and Maintenance Training

In order to ensure that the Pteris Group's customers understand the operation of its products and have the necessary technical expertise to operate and maintain its products, the Pteris Group will invite its customers to attend the training classes which the Pteris Group conducts at its premises from time to time.

Production Facilities

The table below sets forth a summary of certain details of the production facilities of Pteris Group for the years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017:

Location	GFA (sq.m.)	Product Category	2014		2015		2016		Nine months ended 30 September 2017	
			Actual production (units)	Utilization Rate	Actual production (units)	Utilization Rate	Actual production (units)	Utilization Rate	Actual production (units)	Utilization Rate
Fuyong, Shenzhen	103,651	Aircraft's Boarding Bridge	–	–	402	80%	450	90%	282	75%
		Vessel's Boarding Bridge	–	–	8	27%	–	0%	5	22%
		Garage	–	–	6,976	47%	6,300	42%	1,180	8%
		Stacking Machine	–	–	28	28%	23	23%	15	20%
		RGV	–	–	19	19%	13	13%	8	11%
Kunshan, Jiangsu	38,051	Sorting Equipment	–	–	–	–	800	91%	983	59%
		Baggage Handling System	–	–	–	–	343	91%	655	59%
Langfang, Hebei	82,553	Airport Apron Bus	–	–	31	31%	63	32%	40	27%
		Catering Truck	–	–	–	–	8	27%	10	44%
Saint-Chamond, France	4,300	Aerial Platform Truck	33	51%	44	68%	38	58%	37	76%
Jieyang Industrial Transfer Park, Guangdong Province	3,302	Aircraft Ground Air Conditioning Unit	–	–	–	–	–	–	41	34%

Location	GFA (sq.m.)	Product Category	2014		2015		2016		Nine months ended 30 September 2017	
			Actual production (units)	Utilization Rate	Actual production (units)	Utilization Rate	Actual production (units)	Utilization Rate	Actual production (units)	Utilization Rate
Shekou, Shenzhen	39,698	Aircraft's Boarding Bridge	370	93%	–	–	–	–	–	–
		Garage	4,154	52%	–	–	–	–	–	–
		Stacking Machine	15	43%	–	–	–	–	–	–
		RGV	8	27%	–	–	–	–	–	–
Pontian, Malaysia	19,243	Catering Truck	17	68%	21	84%	–	–	–	–
Changping, Beijing	7,400	Airport Apron Bus	79	99%	29	73%	–	–	–	–
Haosheng Industrial Park, Kunshan	8,986	Sorting Equipment	1,059	64%	1,714	72%	428	73%	–	–
		Baggage Handling System	265	64%	428	72%	183	73%	–	–

Notes:

(1) GFA as at the Latest Practicable Date.

(2) Production capacities are calculated based on planned output of relevant products.

(3) Utilization rates are calculated based on actual output for the year/period divided by production capacity in the year/period.

(4) For period where no production and utilization rate is offered, it is due to the factory having ceased or have not began operation in that period.

5. AWARDS AND ACCREDITATIONS

The Pteris Group has been conferred the following key awards and accreditations for its products and quality control:

Year	Award/Accreditation	Awarding Principal
2006	National New Key Product – TianDa's PBBs	Ministry of Science and Technology, PRC
2007	National New Key Product – TianDa's air cargo handling system	Ministry of Science and Technology, PRC
2008	National New Key Product – TianDa's Auto-Parking System	Ministry of Science and Technology, PRC

Year	Award/Accreditation	Awarding Principal
2008 (renewed for a 3-year period in 2017)	ISO 9001:2015[(1)]	Universal Certification Centre Co., Ltd.
2010	Shenzhen Science and Technology Award	The People's Government of Shenzhen Municipality
2011 (valid to 2014)	High-Tech Innovative Enterprise	Economic, Trade and information Commission of Shenzhen Municipality
2011	Guangdong Province Science and Technology Award Second Place – TianDa's air cargo handling system	The People's Government of Guangdong Province
2011 (renewed for a 3-year period in 2017)	ISO 14001:2015[(2)]	Universal Certification Centre Co., Ltd.
2011 (renewed for a 3-year period in 2017)	OHSAS 18001:2007[(3)]	Universal Certification Centre Co., Ltd.
2013	Guangdong Province Science and Technology Award Second Place – TianDa's PBBs	The People's Government of Guangdong Province
2013	ISO 3834 Part 2[(4)]	International Institute of Welding
2013 (valid to 2015)	500 Key Innovation Supportive High-growth Small and Medium Enterprises in Guangdong Province	Guangdong Province Small and Medium Enterprise Bureau
2014	2451-CPR-EN1090-2013.0303.03[(5)]	DVS Zert
2014	Shenzhen Technology Advancement Award Second Place – TianDa's PBB compatible with large aircraft's high elevation doors	The People's Government of Shenzhen Municipality

Year	Award/Accreditation	Awarding Principal
2014	China Patent Excellence Award – Boarding bridge auxiliary support device and boarding bridge with such device and control method	State Intellectual Property Office of the PRC
2014	Guangdong Province Technology Advancement Award Third Place – TianDa's PBB compatible with large aircraft's high elevation doors	The People's Government of Guangdong Province
2015	EC type-examination certificate NO. EG-MRL 052[(6)]	TÜV SÜD
2015	Guangdong Province Enterprise of Observing Contract and Valuing Credit for 2015	Guangdong Province Administration for Industry & Commerce
2015	Guangdong Province Science and Technology Award 2015 Second Place – TianDa's new intelligent mechanical arm transport garage	The People's Government of Guangdong Province
2016	GOST-R Certification[(7)]	Federal Agency for Technical Regulation and Methodology of Russia
2016	UL Certification of Compliance[(8)]	UL LLC
2016	Guangdong Province Patent Excellence Award – A type of vehicle conveying device	The People's Government of Guangdong Province

Notes:

(1) ISO 9001:2015 accreditation provides independent verification of the Pteris Group's quality management system.

(2) ISO 14001:2004 accreditation provides independent verification of the Pteris Group's environmental management system.

(3) OHSAS 18001:2007 accreditation provides independent verification of the Pteris Group's occupational health and safety management systems.

(4) ISO 3834 Part 2 accreditation provides an independent verification of the Pteris Group's welding capabilities and demonstrates its PBB's satisfaction of the requirements under the International Institute of Welder's Manufacturer Certification Scheme.

(5) The certification is a European certification obtained in relation to the Pteris Group's factory production control procedure for structural components and kits of steel structure is in conformity with the relevant standards.

(6) The EC certificate reflects the Pteris Group's compliance with safety standards accepted in Europe.

(7) GOST-R Certification is a voluntary certification signifying that Pteris Group's PBB Product meets the requirement of certain Russian codes and standards.

(8) UL LLC is a global testing institution and the UL Certification reflect the Pteris Group PBB's compliance with certain industry standards.

6. BUSINESS DEVELOPMENT

The Pteris Group has adopted various marketing and promotional activities to increase its brand profile and to raise awareness among its customers. These activities include participating in various trade fairs and exhibitions and participating in various seminars. These activities help to improve the presence of the Pteris Group's brand and market its products and services to potential customers. In 2016, the Pteris Group participated in, among others, the Passenger Terminal Expo in Cologne, the British-Irish Airports Expo and the Airport Show in Dubai. In 2017, the Pteris Group participated in the Annual American Association of Airport Executives Conference and Exposition and Inter Airport Europe in Munich.

As at 30 September 2017, the Pteris Group's sales and marketing team, which is headed by Mr. Zheng Zu Hua, comprised of approximately 120 employees.

The team is responsible for major sales and marketing activities which include maintaining existing customer relationships and to ensure a future flow of orders from the Pteris Group's existing customers. The Pteris Group approaches potential customers and also corresponds with and conducts visits to its existing customers to maintain its relationships with them and to procure and secure new orders. The Pteris Group's close interaction with its customers enables it to gain a deeper understanding of their needs and allows it to recommend new products or potential modifications that would better fulfil their needs. The relationships which the Pteris Group has built with its customers also act as a source of market intelligence, allowing it to keep abreast of current trends and to be able to more quickly adapt to market demands. In addition, the Pteris Group may also be able to secure orders from new customers due to referrals from existing customers.

Leveraging on the country's efforts to develop the "China's Belt and Road" infrastructure and opportunities for the construction of domestic aviation infrastructure, the Pteris Group will continue to consolidate its leadership position in domestic boarding bridges, ground support equipment, baggage handling systems, automated warehouses markets. At the same time, the Pteris Group will further expand into the international market, its resources will be especially focused on the U.S. market. The Pteris Group plans to construct a new PBB factory in the U.S. On the European market perspective, the Pteris Group's international marketing team cooperates with the European operations center to expand its sales channels in the Middle East and Africa markets and increase its market share in these markets. The Pteris Group plans to set up services companies in these regions for soliciting orders for renovation and maintenance passenger boarding bridges.

7. MAJOR SUPPLIERS

The Pteris Group's major suppliers include domestic and international enterprises which supply steel metals, motors and control panels and other products to the Pteris Group.

The Pteris Group's purchases from suppliers vary from year to year, depending on the type and specification of the orders received from its customers, and size of its order books. The Pteris Group typically obtains quotes from several suppliers before making a selection based on factors such as price, reliability, purchase terms, ability to meet delivery schedule, and the quality of their products and services. The Pteris Group does not enter into long-term commitments with any of its suppliers.

For the three years ended 31 December 2016 and the nine months ended 30 September 2017, the purchase from the largest supplier of the Pteris Group represented approximately 8.2%, 7.7%, 3.7% and 5.0%, respectively, of the total purchase of the Pteris Group.

For the three years ended 31 December 2016 and the nine months ended 30 September 2017, the purchase from the top five suppliers of the Pteris Group represented approximately 17.5%, 21.2%, 11.3% and 18.2%, respectively, of the total purchase of the Pteris Group.

As at the Latest Practicable Date, the Pteris Group was not materially dependent on any single supplier. The Pteris Group is able to source products and services supplied by its major suppliers from other suppliers in the market.

8. MAJOR CUSTOMERS

Customers and users of the Pteris Group's products include, among others, Beijing International Airport, Guangzhou Baiyun Airport, Shanghai Pudong Airport, Shanghai Hongqiao Airport, Paris-Charles de Gaulle Airport, Frankfurt Airport, Phoenix Sky Harbor International Airport, Mumbai Airport and Hong Kong International Airport.

For the three years ended 31 December 2016 and the nine months ended 30 September 2017, the sales to the largest customer of the Pteris Group represented approximately 8.4%, 12.4%, 8.2% and 7.1%, respectively, of the total sales of the Pteris Group.

For the three years ended 31 December 2016 and the nine months ended 30 September 2017, the sales to the top five customers of the Pteris Group represented approximately 26.4%, 31.4%, 25.4% and 26.7%, respectively, of the total sales of the Pteris Group.

As at the Latest Practicable Date, the Pteris Group's revenue and profits were not materially dependent on any single customer.

9. CREDIT MANAGEMENT

Credit terms to customers

The Pteris Group has credit policies in place to ensure that credit is extended to creditworthy customers, and that collection of payments is promptly followed up on. The Pteris Group typically grants to its customers credit terms of 30-180 days prior to taking further actions. The terms of credit extended would depend on the customer's payment records, financial position, frequency of purchases, value of purchase, strength of the business relationship and past dealings.

Reminders are sent to customers should they fail to pay any sum due in accordance with the contracted payment terms. Should a customer fail to make payment, the Pteris Group may consider taking appropriate action including but not limited to initiating legal proceedings.

The average trade receivables' turnover days for the Period Under Review were as follows:

	FY2014	**FY2015**	**FY2016**	**Nine months ended 30 September 2017**
Average trade receivables' turnover days[(1)]	199	182	214	432

Note:

(1) The average trade receivables turnover days is computed based on: (average net trade receivables/revenue) x 365 days. The average net trade receivables balance is obtained by averaging the total of the beginning period balance and the closing period balance.

The Pteris Group's average trade receivables turnover days during the Period Under Review were no longer than the credit terms granted because of a generally longer payment authorisation process in relation to its customers in the PRC which mainly comprise airports and relevant authorities.

The average trade receivables turnover days were relatively stable at 199 days for the year ended 31 December 2014 and 182 days for the year ended 31 December 2015. However, the average trade receivables turnover days increased to 214 days for the year ended 31 December 2016 mainly due to an increase in the average trade receivables turnover days for projects in the PRC due to the implementation of an audit requirement before the approval and release of payments by airports and relevant authorities in certain projects in 2016. The average trade receivables turnover days increased to 432 days for the nine months ended 30 September 2017 mainly due to the fact that most of the Pteris Group's projects were completed and delivered in the fourth quarter of 2017, including the recognition of revenue.

Provisions for impairment on trade receivables are made when the collectability of an outstanding debt is in doubt. The Pteris Group performs on-going credit evaluation of its customers' financial condition. In general, for payments which are outstanding for more than 30 days, provision for impairment on trade receivables will be made on individual and group basis based on estimates of the expected collectible amounts and taking into account the expected timing of collections.

The amount of impairment on trade receivables and trade receivables written-off for the Period Under Review were as follows:

(SGD'000)	**FY2014**	**FY2015**	**FY2016**	**Nine months ended 30 September 2017**
Allowance for doubtful trade receivables	3,014	1,662	3,581	–
Write-back of allowance for doubtful trade receivables	–	–	–	33
Write-off of allowance for doubtful trade receivables	104	–	3,081	554

The level of provision accorded to receivables takes into account factors such as individual and group basis, credit worthiness and the ageing of customer's receivables.

The ageing for the trade receivables as at 30 September 2017 was as follows:

	– Within 90 days	**– 91 to 180 days**	**– 181 to 360 days**	**– Over 360 days**
Trade receivables' ageing (% of total trade receivables)	74%	12%	4%	10%

As at 30 September 2017, the trade receivables of the Pteris Group included amounts which were past due for more than one year and allowance for doubtful trade receivables have been made for 7.2% of the total trade receivables. Having taken into account the track record and creditworthiness of the Pteris Group's customers, namely airports and relevant authorities, the Pteris Directors believe that these receivables net of allowance were assessed to be recoverable and accordingly, were not written off. As at 31 January 2018, approximately SGD53 million representing approximately 39% of trade receivables outstanding of SGD139 million as at 30 September 2017 had been collected.

Credit terms from suppliers

Payment terms granted by the Pteris Group's suppliers vary from supplier to supplier and are also dependent on, *inter alia*, its working relationship with the relevant supplier and the size of the transaction.

The average trade payables turnover days for the Period Under Review were as follows:

	FY2014	FY2015	FY2016	Nine months ended 30 September 2017
Average trade payables turnover days[(1)]	100	83	109	260

Note:

(1) Average trade payables turnover days are computed based on: (average trade payables balance/materials, subcontract and other direct costs) x 365 days. The average trade payables balance is obtained by averaging the total of the beginning period balance and the closing period balance.

The average trade payables turnover days decreased from 100 days in the year ended 31 December 2014 to 83 days in the year ended 31 December 2015 and increased to 109 days in the year ended 31 December 2016, which further increased to 260 days for the nine months ended 30 September 2017. The Pteris Group's average trade payables turnover days have increased due to: (i) its strong working relationships with its suppliers coupled with its strong credit standing which can give suppliers additional comfort in allowing for longer credit terms; and (ii) the Pteris Group completed a significant number of projects in the fourth quarter of 2017 in accordance with usual practice, including the recognition of materials, subcontract and other direct costs. As at 31 January 2018, approximately SGD63 million representing approximately 90% of trade payables outstanding of SGD70 million as at 30 September 2017 had been settled.

10. INVENTORY MANAGEMENT

The principal raw materials, parts and components which the Pteris Group uses to manufacture its products include electrical components and steel. The Pteris Group mostly sources its raw materials, parts and components used in its products from multiple suppliers located in the PRC.

In general, the Pteris Group maintains a limited inventory of raw materials to facilitate manufacturing process and it typically places orders with its suppliers for raw materials only upon securing orders from its customers. Inventories of key components are generally maintained at a level adequate to sustain production in the short term to mitigate the risk of the Pteris Group's business operations being affected by short term fluctuations in the prices of such key components, as well as to provide for orders which have a shorter delivery schedule. The average inventory turnover days are generally higher as work-in-progress makes up a significant amount of the Pteris Group's inventories.

In addition, the Pteris Group monitors the fluctuations in the prices of steel in the international market, and it may increase its inventory level of steel when it believes that the prices are appropriate. For the Period Under Review, the Pteris Group's annual inventory turnover ratio was approximately 4.4 times.

The average inventory turnover days for the Period Under Review were as follows:

	FY2014	FY2015	FY2016	Nine months ended 30 September 2017
Average inventory turnover (days)[(1)]	102	70	81	319

Note:

(1) Average inventory turnover is computed based on the formula: (average inventory balance/cost of sales) x (365 days for the full financial year). The average inventory balance is obtained by averaging the total of the beginning period balance and the closing period balance.

The average inventory turnover days for the Period Under Review remained fairly consistent, ranging between 70 to 102 days, and these are generally acceptable and fluctuate within a range under normal operating conditions due to the different delivery periods for the various projects that might differ from year to year. There was a significant increase in the cost of sales with the growth of revenue in 2015, which in turn caused a decrease in the inventory turnover from 2014 to 2015. The average inventory turnover days increased to 319 days in the nine months ended 30 September 2017 mainly due to most projects of Pteris Group completed and delivered in the fourth quarter of 2017, resulting in a relatively higher inventory in the nine months ended 30 September 2017. As at 31 January 2018, approximately SGD117 million representing approximately 91% of inventory of SGD129 million as at 30 September 2017 had been utilized.

The Pteris Group's inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average cost. In the case of manufactured inventories and work-in-progress, cost includes raw materials, direct labor, other direct cost and an appropriate share of production overheads based on normal operating capacity. The Pteris Group reviews its inventory periodically for declines in net realizable value below cost and an allowance is recorded against the inventory balance for any such declines.

11. INSURANCE

As at the Latest Practicable Date, the Pteris Group implemented the social insurance plan for most of its employees which included retirement pension insurance, unemployment insurance, employee injury insurance, medical insurance and maternity insurance as required by the PRC local insurance administrative agency. In addition, to cover, amongst others, the Pteris Group's machinery and equipment, as well as public and products liability, transportation risks and personal accident insurance for its employees, the Pteris Group has the following insurances:

(a) property insurance;

(b) machinery and equipment insurance;

(c) public and products liability insurance;

(d) cargo transportation insurance;

(e) group accident insurance to cover personal injuries or deaths caused by accidents in the course of the Pteris Group's business; and

(f) marine cargo insurance.

12. INTELLECTUAL PROPERTY

To maintain the Pteris Group's competitive edge in this industry, it is committed to the development and protection of its intellectual property portfolio. The Pteris Group relies on patent laws, trade secret laws, employee confidentiality and non-compete agreements and third-party confidentiality and non-compete agreements in order to protect its intellectual property. Pteris Group owns and has applied for patents to protect the technologies, inventions and improvements that are significant to its business.

Intellectual property rights of Pteris Group

Trademarks

1. Trademarks for which registration has been granted

As at the Latest Practicable Date, the Pteris Group was the registered owner of and had the right to use the following trademarks which Pteris Group considers to be or may be material to its business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class[1]	Registration Date	Expiry Date
1	AeroABus	PRC	8780809	Xinfa Airport Equipment Ltd.	12	2011-11-14	2021-11-13
2	KTLogistex	PRC	8984084	KTlogistex Co., Ltd.	7	2012-01-07	2022-01-06
3	AEROMOBILES	Australia	1597523	Aeromobiles Pte Ltd	12	2013-9-25	2023-9-25
4	pteris Global pteris Global	Singapore	T09011061	Pteris	7, 9, 42	2009-2-4	2019-2-4

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class(1)	Registration Date	Expiry Date
5	AEROMOBILES	Madrid Agreement and Protocol Countries (Australia and PRC)	1185487	Aeromobiles Pte Ltd	12	2013-9-25	2023-9-25
6	pteris Global	PRC	7567015	Pteris	7	2012-5-28	2022-5-27
7	pteris Global	PRC	7567014	Pteris	9	2011-9-21	2021-9-20
8	pteris Global	PRC	7567013	Pteris	42	2012-12-7	2022-12-6
9	pteris Global pteris Global	United Kingdom	2519943	Pteris	7, 9, 42	2009-6-30	2019-6-30
10	pteris Global	USA	4,060,458	Pteris	7, 9, 42	2011-11-22	2021-11-22
11	am Airmarrel	France	113884332	Air Marrel	7, 12	2011-12-23	2021-12-23
12	CIMC	PRC	6715301	CIMC	12	2010/3/28	2020/3/27
13	中集	PRC	6715300	CIMC	12	2010/3/28	2020/3/27
14	中集	Hong Kong	300620720	CIMC	6, 12	2006/4/18	2026/4/17
15	CIMC	Hong Kong	300620711	CIMC	12	2006/4/18	2026/4/17
16	CIMC	USA	3, 244, 295	CIMC	12	2007-5-22	2027-5-22

Note:

(1) For details of the classification of goods for trademarks, please see the paragraph headed "2. Classification of goods for trademarks" below.

2. *Classification of goods for trademarks*

The table below sets out the classification of goods for the above trademarks (the detailed classification in relation to the relevant trademarks depends on the details set out in the relevant trademark certificates and may differ from the list below):

Class Number	Goods
6	Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; ores.
7	Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.
9	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving (rescue) and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin operated apparatus; cash registers; calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
12	Vehicles; apparatus for locomotion by land, air or water.
42	Scientific and technological services and related research and design services; industrial analysis and research services; design and development of computer hardware and software.

Copyrights

1. Copyrights for which registration has been granted

As at the Latest Practicable Date, the Pteris Group was the registered owner of and had the right to use the following copyrights which it considers to be or may be material to its business:

No.	Copyright	Version	Registration No.	Registration Date
1	CIMC TianDa Intelligent Warehouse Control System Software	V1.0	2015SR077002	2015/5/7
2	CIMC TianDa Air Cargo Warehouse Equipment Control System Software	V1.0	2015SR077037	2015/5/7
3	CIMC TianDa Intelligent Warehouse Allocation System Software	V1.0	2015SR081183	2015/5/13
4	CIMC Warehouse Control System Software	V1.0	2013SR011194	2015/5/13
5	CIMC Warehouse Management System Software	V1.0	2015SR077009	2015/5/7
6	CIMC Warehouse Allocation System Software	V1.0	2015SR081187	2015/5/13
7	CIMC AGV Allocation Management System Software	V1.0	2016SR102994	2015/5/13
8	A380 Boarding Bridge Control System Software	V1.0	2016SR195607	2016/7/27
9	Dual Boarding Bridge Collision Avoidance Control System Software	V1.0	2016SR195262	2016/7/27
10	Triple Boarding Bridge Collision Avoidance Control System Software	V1.0	2016SR195259	2016/7/27
11	Boarding Bridge Loading Equipment Monitoring and Control System	V1.0	2016SR195252	2016/7/27

No.	Copyright	Version	Registration No.	Registration Date
12	Boarding Bridge Safety and Service Control System Software	V1.0	2016SR194790	2016/7/26
13	Up/down and Lateral Moving Parking Carrier Control System for 1 to 30 parking spaces Software	V1.0	2016SR195406	2016/7/27
14	Control Software for Primary Control System of Intelligent Garage	V1.0	2016SR195277	2016/7/27
15	Carrier System Control Software for Intelligent Garage	V1.0	2016SR195446	2016/7/27
16	Elevator System Control Software for Intelligent Garage	V1.0	2016SR195598	2016/7/27
17	Lateral Moving Carrier Platform System Control Software for Intelligent Garage	V1.0	2016SR195421	2016/7/27
18	Stacking Machine System Control Software for Intelligent Garage	V1.0	2016SR195453	2016/7/27
19	Parking Platform System Control Software for Intelligent Garage	V1.0	2016SR195266	2016/7/27
20	One-to-four Automatic Sorting Control System Software	V1.0	2016SR263876	2016/9/19
21	CIMC Jirong Aircraft Ground Air-conditioning Control System Software	V1.0	2017SR245505	2017/6/8
22	CIMC KTlogistex Sorting Information Management System Software	V1.0	2017SR623445	2017/11/14
23	CIMC KTlogistex Sorting Equipment Control System Software	V1.0	2017SR623461	2017/11/14
24	Zhengzhou CIMC KTlogistex Sorting System	V1.0	2017SR623474	2017/11/14

Patents

As at the Latest Practicable Date, the Pteris Group was the registered owner of and had the right to use the following patents which it considers to be or may be material to its business:

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
1	Shunt device, shunt system with shunt device, and shunting method	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	PRC	201110025610.3	2011/1/24	2031/1/24
2	Warehouse-in/ warehouse-out device and warehouse with such device	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	PRC	201110160187.8	2011/6/7	2031/6/7
3	Safety protection method and safety protection device for boarding bridge traveling system	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201110176012.6	2011/6/27	2031/6/27
4	A type of safety protection method and safety protection device for traveling system	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201110237403.4	2011/8/18	2031/8/18
5	Shunting device of rail stacker and shunting system with same and shunting method	Shenzhen CIMC TianDa Logistics Systems Engineering Co., Ltd.	PRC	201110270846.3	2011/9/14	2031/9/14

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
6	Lifting device and boarding bridge with the lifting device	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201110111836.5	2011/4/29	2031/4/29
7	A type of boarding bridge and its automatic abutting method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210164965.5	2012/5/25	2032/5/25
8	Automatic storage garage and parking lot detect positioning control method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210090268.X	2012/3/30	2032/3/30
9	A type of bi-directional shuttle bus and its steering and switching device and switching method	Xinfa Airport Equipment Ltd., Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210185939.0	2012/6/7	2032/6/7

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
10	A type of passenger boarding bridge connection device and PBB with such device and connection method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210344229.8	2012/9/17	2032/9/17
11	Safety control device and method for the maneuvering of boarding bridge	China International Marine Containers (Group) Co., Ltd., Shenzhen CIMC – TianDa Airport Support Co., Ltd.	PRC	201110245504.6	2011/8/25	2031/8/25
12	Automatic storage garage and vehicle width detection and control method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210144297.X	2012/5/10	2032/5/10
13	A type of vehicle wheelbase detection device and detection method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210218503.7	2012/6/28	2032/6/28

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
14	Boarding bridge canopy device and its driving method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310008641.7	2013/1/10	2033/1/10
15	A type of cargo conveying mechanism which aligns the object in the middle during transportation and the conveyor with such mechanism	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310073921.6	2013/3/8	2033/3/8
16	A type of electronic control system for boarding bridge emergency evacuation and its method of emergency evacuation	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201210578626.1	2012/12/27	2032/12/27
17	Control method for awning apparatus, boarding bridge and awning device	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310165993.3	2013/5/8	2033/5/8

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
18	Three-dimensional garage and its vehicle access method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310133809.7	2013/4/17	2033/4/17
19	Vehicle loading platform	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310413194.3	2013/9/11	2033/9/11
20	A type of compression device for tank storage media and its compression method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310159350.8	2013/5/2	2033/5/2
21	Vehicle loading platform	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310413191.X	2013/9/11	2033/9/11

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
22	A bulk containing tilting device and method of unloading	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201110101952.9	2011/4/22	2031/4/22
23	A type of height detection device for measuring the height of the connecting entrance to cabin of aircraft or vessel and the measuring method	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201310274684.X	2013/7/2	2033/7/2
24	A type of three-dimensional rectification device for the correct installation of equipment	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201520861522.0	2015/10/30	2025/10/30
25	A type of mechanical electrical elevation apparatus for boarding bridge with elevation capability	China International Marine Containers (Group) Co., Ltd., Shenzhen CIMC – TianDa Airport Support Co., Ltd.	PRC	201620731312.4	2016/7/11	2026/7/11

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
26	Safety assurance method and device for boarding bridge maneuvering system	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201110176012.6	2011/6/27	2031/6/27
27	A type of safety assurance method and device for boarding bridge maneuvering system	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	PRC	201110237403.4	2011/8/18	2031/8/18
28	Cab of passenger boarding bridge and passenger boarding bridge having the same and docking method thereof	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	USA	US 9,434,482 B2	2013/8/9	2033/8/9
29	Joint equipment and boarding bridge having the same	China International Marine Containers (Group) Co., Ltd., Shenzhen CIMC – TianDa Airport Support Co., Ltd.	USA	US 8,555,444 B2	2011/4/25	2031/4/25

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
30	Cab of passenger boarding bridge and passenger boarding bridge having the same and docking method thereof	Shenzhen CIMC – TianDa Airport Support Co., Ltd., China International Marine Containers (Group) Co., Ltd.	Canada	No.: 2,885,108	2013/8/9	2033/8/9

As at the Latest Practicable Date, the Pteris Group had no less than 104 patents, trademarks and copyrights, of which 77 are registered in the PRC and 27 are registered outside the PRC in countries such as the United States, Australia and Canada.

The following table sets forth details of the patent license agreements entered into by the TianDa Group, which are subsisting as at the Latest Practicable Date.

No.	Licensor/Holder of the Patent	Licensee	Type	Consideration	Term of License	Scope of License	Patent Number	Remarks
1.	CIMC and TianDa	Xinfa Airport Equipment Ltd.	Exclusive license	Nil	2014/12/16-2019/12/16	Manufacture, use, sale, offer to sale and import its patented products in the PRC	200610063330.0	Patent application fees, annual fees, agency fees and other charges incurred prior to the expiration of the license term shall be borne by licensor
2.	CIMC and TianDa	Xinfa Airport Equipment Ltd.	Exclusive license	Nil	2014/12/16-2019/12/16	Manufacture, use, sale, offer to sale and import its patented products in the PRC	200710073676.3	Patent application fees, annual fees, agency fees and other charges incurred prior to the expiration of the license term shall be borne by licensor
3.	CIMC and TianDa	CIMC Deli Logistics System (Suzhou) Co., Ltd.	Exclusive license	Nil	2014/12/16-2019/12/16	Manufacture, use, sale, offer to sale and import its patented products in the PRC	200710162196.4	Patent application fees, annual fees, agency fees and other charges incurred prior to the expiration of the license term shall be borne by licensor
4.	CIMC and TianDa	CIMC Deli Logistics System (Suzhou) Co., Ltd.	Exclusive license	Nil	2014/12/16-2019/12/16	Manufacture, use, sale, offer to sale and import its patented products in the PRC	201220358461.2	Patent application fees, annual fees, agency fees and other charges incurred prior to the expiration of the license term shall be borne by licensor

13. QUALITY ASSURANCE

The Pteris Group has stringent quality control measures in place to identify and rectify potential quality issues. In addition, the Pteris Group's management is also actively involved in the drawing up of internal quality control policies. The Pteris Group obtained ISO 9001 accreditation for its products and services in 1998, and has maintained the ISO 9001 accreditation yearly to-date since 2005. Further details of the Pteris Group's certifications relating to safety standards are set out in section titled "5. Awards and Accreditations" above.

The Pteris Group's quality control procedures start with ensuring the quality of its raw materials, parts and components. This would include, among others, an annual evaluation of the Pteris Group's major suppliers and sub-contractors, and inspection of raw materials, parts and components upon their arrival at its factory. The Pteris Group may dispatch quality control personnel to its key suppliers at key stages of the production and manufacturing process, as well as to its sub-contractors or demand its suppliers to inspect product based on standards set by the Pteris Group in order to ensure the quality of the raw materials, parts and components it procures externally. Raw materials, parts and components that fail to meet the Pteris Group's internal inspection standards are returned to suppliers. Subcontractors that fail to meet the Pteris Group's internal inspection standards will be dismissed.

In addition, the Pteris Group also puts in place quality control measures in all key stages of its manufacturing process, and the Pteris Group tests all its finished products before they are delivered to its customers. If a problem is detected, a failure analysis is performed to determine the cause. Internal quality control publications are also distributed on a weekly and monthly basis in order to inform, examine, and analyse quality control issues and problems that have been identified in order to continuously improve its quality control measures.

The various raw material and components which the Pteris Group purchases from its suppliers also typically have a warranty period calculated from the date of delivery to Pteris Group's ultimate customer. The Pteris Group typically provides a warranty period of at least 12 months to its customers. Product warranties typically require the Pteris Group to provide after-sales services covering parts and labour for repairs that are not caused by normal wear and tear, operator abuse, improper use or negligence. The Pteris Group's customers may return or seek replacement of defective products during the warranty period.

Following the expiration of the warranty period, the Pteris Group may provide repair and maintenance services for a fee based on the services required.

The Pteris Group's employees are involved in its quality management system throughout the entire production and delivery life cycle so as to ensure all products adhere to the standards prescribed under its quality control system.

14. RESEARCH AND DEVELOPMENT

The Pteris Group is dedicated to research and development. Research and development capabilities and efforts enabled the Pteris Group to obtain industry qualifications in a number of countries and helped the Pteris Group in maintaining its position in the airport equipment industry.

Over the years, the Pteris Group has expended resources in acquiring technology, design tools and equipment in order to allow the Pteris Group's research and development team to continually improve on its design capabilities and to design new products to respond to market demands. This has been necessary in order for the Pteris Group to maintain its competitive edge in this industry.

Through the Pteris Group's consistent research and development efforts over the past 20 years, it successfully developed a full range of PBBs, including Fixed Tunnel PBB, T-type PBB, Pedestal PBB, Apron Drive Type PBB and A380 PBB. In particular, the Pteris Group successfully developed a PBB compatible with the A380 aircraft, incorporating design elements such as an independently driven four-wheel movement design. In connection therewith, the Pteris Group received patents in the PRC for the aforementioned design elements.

The strategy of looking beyond the present needs of the market has also enabled the Pteris Group to continually develop new products such as GSE, APS and MHS. In 2003, the Pteris Group successfully developed and launched an automated vehicle stacking parking system in Beijing which expands the capacity of a car park by allowing a vehicle to be parked vertically above another. This model was well received by customers and served as a major industry milestone for the Pteris Group.

As at 30 September 2017, the Pteris Group has approximately 210 employees involved in the research and development of its products.

For the years ended 31 December 2014, 2015 and 2016, the Pteris Group incurred research and development expenses of SGD1.3 million, SGD1.9 million and SGD3.5 million respectively, representing 0.5%, 0.6% and 1.1% of its revenue in each of the respective years.

15. LEGAL COMPLIANCE

For the years ended 31 December 2014, 2015 and 2016, and up to the Latest Practicable Date, having taken into account of the advice of the PRC legal advisors of CFE, the Pteris Directors confirmed that the Pteris Group was in compliance with all applicable laws and regulations which are material to its business operations and the Pteris Group obtained all relevant material licences and permits necessary for its business operations.

For details of legislation and regulatory controls applicable in the PRC, please refer to "Regulatory Overview" of this appendix for further details.

16. STAFF AND TRAINING

Staff

The Pteris Group recruits, trains and retains skilled and experienced workers. The Pteris Group achieves this by offering competitive remuneration packages, as well as by focusing on training and career development.

As at 30 September 2017, the Pteris Group had approximately 1,740 full-time employees among which, approximately 980 full-time employees were involved in operations and manufacturing, approximately 250 were involved in customer service, approximately 210 in R&D, approximately 120 in sales and marketing, and the remaining were involved in other functions (such as finance, strategic development, quality assurances, human resources, IT and administration).

The relationship between the management and the labour union has been good and there have been no material employee disputes that have materially affected the Pteris Group's business and operations. The Pteris Group also does not employ a significant number of temporary, contract or part-time staff.

Staff training

In order to ensure that the Pteris Group's employees are competent in their roles and responsibilities, it provides the following structured training programmes:

(a) Safety Training

Due to the nature of the Pteris Group's business, it provides safety-related new training for its employees so as to increase safety awareness in the workplace. Employees undergo safety training and an examination is conducted at the end of the safety training.

(b) Orientation Training

New employees have to undergo orientation training within three months of their employment. The type of training differs according to the requirements of the various departments and the individual designations of each employee. The Pteris Group's employees undergo prescribed minimum hours of training depending on their jobs.

(c) On-the-job Training, Workshops and Seminars

In the course of the employment, the Pteris Group provides on-the-job training in areas such as project management and professional knowledge. The Pteris Group also sends its employees to attend vocational courses, workshops and seminars conducted by relevant authorities.

VI. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PTERIS GROUP

Set out below is the management discussion and analysis of the Pteris Group for each of the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017. The following financial information is based on the Accountant's Report of the Pteris Group as set out in Appendix III (A) to this circular.

Overview of the Pteris Group

Pteris is incorporated and domiciled in Singapore with limited liability and is an indirect non-wholly owned subsidiary of CIMC. On 19 August 2014, Pteris completed the acquisition of the TianDa Group.

The Pteris Group is principally engaged in the manufacture and sale of: (i) airport equipment, which comprises mainly passenger boarding bridges and ground support equipment such as airport apron buses, aircraft catering vehicles and other specialized vehicles; (ii) baggage and materials handling systems, which comprises systems for the sorting, handling and transportation of different types of baggage and cargo; and (iii) automated parking systems.

The Pteris Group

As at the Latest Practicable Date, Pteris was directly owned by Sharp Vision and TGM as to approximately 78.15% and 21.26%, respectively. The remaining 0.59% was held by approximately 450 individuals and companies who had not accepted the voluntary general offer for the issued shares of Pteris (which was then listed on the Singapore Exchange Securities Trading Limited) made by Sharp Vision upon close of the offer in September 2016.

Financial Review

Revenue

The revenue of Pteris Group increased by 41.9% from approximately SGD240.6 million for the year ended 31 December 2014 to approximately SGD341.3 million for the year ended 31 December 2015 due to the increase in revenue across all business segments of the Pteris Group. In particular, (i) revenue from PBB and APS segment increased from SGD153.9 million for the year ended 31 December 2014 to SGD192.8 million for the year ended 31 December 2015, primarily due to the larger scale PBB contracts completed in markets including China in 2015; (ii) revenue from logistics system business increased from SGD66.5 million for the year ended 31 December 2014 to SGD121.5 million for the year ended 31 December 2015, primarily due to the increase of revenue from logistics business of TianDa Group as TianDa Group was acquired by Pteris Group in August 2014; and (iii) revenue from GSE segment increased from SGD20.5 million for the year ended 31 December 2014 to SGD27.1 million for the year ended 31 December 2015, primarily due to the increase of revenue from GSE of TianDa Group as TianDa Group was acquired by Pteris Group in August 2014.

The revenue of the Pteris Group decreased by 7.0% from approximately SDG341.3 million for the year ended 31 December 2015 to approximately SGD317.3 million for the year ended 31 December 2016 mainly due to, (i) the revenue from the logistics system business decreased from SGD121.5 million for the year ended 31 December 2015 to SGD92.8 million for the year ended 31 December 2016, resulting from the delayed delivery of certain MHS projects, (ii) revenue from the PBB and APS segment decreased from SGD192.8 million for the year ended 31 December 2015 to SGD188.0 million for the year ended 31 December 2016 and (iii) revenue from the GSE segment increased from SGD27.1 million for the year ended 31 December 2015 to SGD36.5 million for the year ended 31 December 2016, primarily due to more GSE contracts completed in 2016.

For the nine months ended 30 September 2017, the Pteris Group's revenue increased by 7.4% from approximately SGD131.6 million for the nine months ended 30 September 2016 to approximately SGD141.4 million mainly due to the increase in the revenue contribution from PBB segment. In particular, (i) revenue contribution from PBB and APS segment increased from SGD52.0 million for the nine months ended 30 September 2016 to SGD63.3 million for the nine months ended 30 September 2017, primarily due to more PBB contracts completed in the nine months ended 30 September 2017; (ii) revenue from the GSE segment increased from SGD24.2 million for the nine months ended 30 September 2016 to SGD27.0 million for the nine months ended 30 September 2017, and (iii) revenue from the logistics system business segment decreased from SGD55.5 million for the nine months ended 30 September 2016 to SGD51.1 million for the nine months ended 30 September 2017.

Gross Profit

The gross profit of Pteris Group increased from SGD56.1 million for the year ended 31 December 2014 to SGD65.3 million for the year ended 31 December 2015 mainly due to the increase of gross profit from PBB products in 2015.

The gross profit of Pteris Group increased from SGD65.3 million for the year ended 31 December 2015 to SGD73.9 million for the year ended 31 December 2016 mainly due to the increase of gross profit of SGD8.6 million from PBB due to the higher gross profit margin of projects of TianDa in 2016.

Gross profit increased from SGD31.6 million for the nine months ended 30 September 2016 to SGD33.5 million for the nine months ended 30 September 2017.

Other Income

The other income of the Pteris Group increased from SGD3.1 million for the year ended 31 December 2014 to SGD11.8 million for the year ended 31 December 2015 mainly due to the increase of government grants and rental income received in 2015.

The other income of the Pteris Group increased from SGD11.8 million for the year ended 31 December 2015 to SGD11.9 million for the year ended 31 December 2016.

The other income of the Pteris Group increased from SGD7.2 million for the nine months ended 30 September 2016 to SGD8.2 million for the nine months ended 30 September 2017.

Selling and Distribution Expenses

Selling and distribution expenses for the years ended 31 December 2014, 2015 and 2016 of SGD11.1 million, SGD12.0 million and SGD12.4 million, respectively. The increase was mainly due to the increased marketing efforts of the Pteris Group.

Selling and distribution expenses decreased from SGD9.1 million for the nine months ended 30 September 2016 to SGD7.3 million for the nine months ended 30 September 2017, which was mainly due to the effectiveness of cost control associated with the enhanced project management by the Pteris Group.

General and Administrative Expenses

General and administrative expenses for the years ended 31 December 2014, 2015 and 2016 of SGD33.4 million, SGD42.9 million and SGD51.6 million, respectively. The increase was due to the increase of research and development expenses yearly and the increase of loss on issuance of deferred shares in 2016.

General and administrative expenses decreased from SGD38.7 million for the nine months ended 30 September 2016 to SGD33.0 million for the nine months ended 30 September 2017, which was mainly due to there was no loss on issuance of deferred shares recorded in the nine months ended 30 September 2017.

Operating Profit/Loss

Primarily as a result of the foregoing factors, the operating profit of the Pteris Group increased from approximately SGD17.5 million for the year ended 31 December 2014 to SGD24.4 million for the year ended 31 December 2015 and further increased to SGD28.9 million for the year ended 31 December 2016.

Primarily as a result of the foregoing factors, the operating loss of the Pteris Group decreased from SGD6.6 million for the nine months ended 30 September 2016 to SGD0.2 million for the nine months ended 30 September 2017.

Finance Cost

The finance cost of the Pteris Group increased from SGD0.8 million for the year ended 31 December 2014 to SGD2.5 million for the year ended 31 December 2015 mainly due to the increase of the interest expenses on loans from related parties and bank borrowings and the decrease of the interest expense capitalized.

The finance cost of the Pteris Group decreased from SGD2.5 million for the year ended 31 December 2015 to SGD1.5 million for the year ended 31 December 2016, mainly due to the decrease of the interest expenses on loans from related parties and bank borrowings.

The finance cost of the Pteris Group decreased from SGD1.2 million for the nine months ended 30 September 2016 to SGD1.1 million for the nine months ended 30 September 2017.

Profit/Loss for the Year/Period

As a result of the above, net profit for the years ended 31 December 2014, 2015 and 2016 was approximately SGD13.3 million, SGD18.3 million and SGD23.3 million respectively, and the net loss for the nine months ended 30 September 2016 and 2017 was approximately SGD7.7 million and SGD1.5 million, respectively.

Major Balance Sheet Items, Liquidity, Financial Resources and Capital Structure

Current Assets

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the Pteris Group had current assets of approximately SGD323.6 million, SGD300.1 million, SGD369.1 million and SGD411.7 million, respectively, which mainly comprised trade receivables, inventories and cash and cash equivalents.

(a) Trade receivables

The trade receivables of the Pteris Group, which mainly comprises trade receivables due from third parties and retention on construction contracts, increased from SGD162.9 million as at 31 December 2014 to SGD176.9 million as at 31 December 2015, and further increased to SGD195.9 million as at 31 December 2016. The above increase in the trade receivables of the Pteris Group was primarily due to the increase of trade receivables due from third parties, resulting from the increase of sales in the last 3 months of each financial year compared with relevant preceding year. The trade receivables of Pteris Group as at 30 September 2017 was SGD138.7 million. The decrease was due to cyclical nature of the industry, where the majority of trade receivables would be recognized during the fourth quarter of each year.

(b) Inventories

The inventories of the Pteris Group, which mainly comprises work in progress and raw materials, decreased from SGD58.8 million as at 31 December 2014 to SGD47.8 million as at 31 December 2015, primarily due to the decrease of work in progress of SGD14.1 million, resulting from higher sales level in 2015.

The inventories of the Pteris Group increased from SGD47.8 million as at 31 December 2015 to SGD59.9 million as at 31 December 2016, primarily due to the increase of work in progress of SGD10.4 million.

The inventories of the Pteris Group increased from SGD59.9 million as at 31 December 2016 to SGD128.8 million as at 30 September 2017, primarily due to the increase of work in progress of SGD59.3 million, which is mainly due to an increase in work in progress and raw materials, resulting from the cyclical nature of the PBB, sales orders mainly secured in the fourth quarter, which in line with the revenue recognition and transfer of cost in the fourth quarter.

(c) Cash and cash equivalents

The cash and cash equivalents of the Pteris Group decreased from SGD48.9 million as at 31 December 2014 to SGD31.4 million as at 31 December 2015, primarily due to the repayment of borrowings.

The cash and cash equivalents of the Pteris Group increased from SGD31.4 million as at 31 December 2015 to SGD54.8 million as at 31 December 2016, primarily due to increase of cash held resulting from reduced repayment to creditors and generated from operating activities in 2016.

The cash and cash equivalents of the Pteris Group increased from SGD54.8 million as at 31 December 2016 to SGD63.6 million as at 30 September 2017, primarily due to more advances received from customers offset by the higher level of inventories purchased arising from higher level of operating activities and SGD 3.1 million received from non-controlling interest of a subsidiary during the period.

(d) Prepayments and other receivables

The prepayments and other receivables of the Pteris Group amounted to SGD26.1 million, SGD21.1 million and SGD28.3 million as at 31 December 2014, 2015 and 2016, respectively.

The prepayments and other receivables of the Pteris Group increased from SGD28.3 million as at 31 December 2016 to SGD56.3 million as at 30 September 2017, primarily due to an increase of prepayments of SGD18.1 million, primarily due to increase of prepayment resulting from the increase of raw materials, and an increase of other receivables of SGD7.6 million representing staff advances, deposits and other receivables.

(e) Amounts due from contract customers

The amounts due from contract customers of the Pteris Group amounted to SGD24.5 million, SGD17.4 million, SGD29.9 million and SGD24.0 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

Non-Current Assets

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the Pteris Group had non-current assets of approximately SGD147.4 million, SGD213.8 million, SGD217.4 million and SGD227.4 million, respectively, which mainly comprised property, plant and equipment, intangible assets and land use rights.

(a) Property, plant and equipment

The property, plant and equipment of the Pteris Group increased from SGD102.6 million as at 31 December 2014 to SGD109.1 million as at 31 December 2015, and further increased to SGD115.7 million as at 31 December 2016. The above increase in the property, plant and equipment of the Pteris Group was primarily due to the increase of the land and buildings of the Pteris Group which was for construction of factories. The property, plant and equipment of the Pteris Group as at 30 September 2017 was SGD109.8 million.

(b) Investment properties

The investment properties of the Pteris Group increased from nil as at 31 December 2014 to SGD48.3 million as at 31 December 2015, primarily due to the transfer from property, plant and equipment and land use rights of SGD40.7 million in 2015, which was mainly because of the completion of a construction-in-progress in Fuyong, Shenzhen and such construction-in-progress was subsequently held as investment properties to generate rental income, resulting in the increase of the fair value of the premises of the Pteris Group, and further increased to SGD48.8 million as at 31 December 2016.

The investment properties of the Pteris Group increased from SGD48.8 million as at 31 December 2016 to SGD50.3 million as at 30 September 2017.

(c) Intangible assets

The intangible assets of the Pteris Group increased from SGD26.2 million as at 31 December 2014 to SGD35.8 million as at 31 December 2015, primarily due to the addition of operating rights for APS in China.

The intangible assets of the Pteris Group decreased from SGD35.8 million as at 31 December 2015 to SGD33.0 million as at 31 December 2016.

The intangible assets of the Pteris Group increased from SGD33.0 million as at 31 December 2016 to SGD47.1 million as at 30 September 2017, primarily due to the addition of new patents of SGD10.6 million and goodwill from acquisition in 2017 of SGD2.8 million.

(d) Land use rights

The land use rights of the Pteris Group amounted to SGD14.3 million, SGD15.3 million, SGD14.4 million and SGD13.8 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

Current Liabilities

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the Pteris Group had current liabilities of approximately SGD288.8 million, SGD246.7 million, SGD275.5 million and SGD322.3 million, respectively, which mainly comprised trade and other payables and borrowings.

(a) Trade and other payables

The trade and other payables of the Pteris Group increased from SGD171.7 million as at 31 December 2014 to SGD198.9 million as at 31 December 2015, primarily due to the increase of accruals and other payables of SGD15.3 million representing the increase in advance payments from customers for more ongoing projects in 2015 and the increase of amounts due to related parties of SGD9.9 million, representing higher level of purchases from related parties for goods and services.

The trade and other payables of the Pteris Group increased from SGD198.9 million as at 31 December 2015 to SGD232.9 million as at 31 December 2016, primarily due to the increase of advances received of SGD27.5 million, representing more advanced payments received from customers as there are more ongoing projects in 2016.

The trade and other payables of the Pteris Group increased from SGD232.9 million as at 31 December 2016 to SGD273.8 million as at 30 September 2017, primarily due to the increase of advances received of SGD69.1 million, representing more advanced payments received from customers as there were more ongoing projects in the nine months ended 30 September 2017.

(b) Borrowings

The borrowings of the Pteris Group, which comprises bank borrowings and loans from related parties, decreased from SGD91.9 million as at 31 December 2014 to SGD20.0 million as at 31 December 2015, primarily due to a decrease of bank borrowings and loans from related parties, and further decreased to SGD12.3 million as at 31 December 2016.

The borrowings of the Pteris Group increased from SGD12.3 million as at 31 December 2016 to SGD20.9 million as at 30 September 2017, primarily due to an increase of bank borrowings and loans from related parties.

(c) Provisions

The provisions of the Pteris Group amounted to SGD14.9 million, SGD17.3 million, SGD18.4 million and SGD17.6 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

(d) Amounts due to contract customers

The amounts due to contract customers of the Pteris Group amounted to SGD5.5 million, SGD5.6 million, SGD7.0 million, and SGD9.6 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

Non-current Liabilities

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the Pteris Group had non-current liabilities of approximately SGD9.0 million, SGD14.7 million, SGD38.7 million and SGD42.9 million, respectively, which mainly comprised trade and other payables and deferred income.

(a) Trade and other payables

The trade and other payables of the Pteris Group amounted to nil, SGD2.7 million and SGD16.6 million as at 31 December of 2014, 2015 and 2016, respectively. The above increase was primarily due to the increase of amounts due to ultimate holding company related to medium term notes with maturity in 2019. The trade and other payables of the Pteris Group as at 30 September 2017 was SGD16.5 million.

(b) Deferred income

The trade and other payables of the Pteris Group, which comprises government grants, amounted to SGD8.8 million, SGD9.5 million, SGD10.8 million and SGD15.1 million as at 31 December of 2014, 2015 and 2016 and 30 September 2017, respectively.

Current Ratio

The Pteris Group's current ratio (being current assets divided by current liabilities) as at 31 December of 2014, 2015 and 2016 and 30 September 2017 was approximately 1.1, 1.2, 1.3 and 1.3 respectively. The increase was mainly due to the decrease of the total borrowings of the Pteris Group during the Period Under Review.

Gearing ratio

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the gearing ratio (being total borrowings over the total assets) was approximately 19.5%, 4.1%, 3.8% and 4.8%, respectively. The changes in gearing ratio were mainly due to the fluctuation of the total borrowings of Pteris Group during the Period Under Review.

Liquidity and Cash Flows

The following table sets forth the Pteris Group's cash flows for the periods indicated:

	For the Year Ended 31 December			For the Nine Months Ended 30 September	
	2014	2015	2016	2016	2017
	(SGD'000)	*(SGD'000)*	*(SGD'000)*	*(SGD'000)* (unaudited)	*(SGD'000)*
Net cash generated from operating activities	13,247	25,985	44,432	29,823	11,564
Net cash generated from/(used in) investing activities	8,892	(41,485)	(4,641)	(10,005)	(13,356)
Net cash generated from/(used in) financing activities	18,155	(1,803)	(16,194)	(16,390)	10,685
Net increase/(decrease) in cash and cash equivalents	40,294	(17,303)	23,597	3,428	8,893
Cash and cash equivalents at the beginning of the year/period	7,940	48,949	31,425	31,425	54,822
Exchange gains/(losses) on cash and cash equivalents	715	(221)	(200)	(169)	(85)
Cash and cash equivalents at the end of the year/period	48,949	31,425	54,822	34,684	63,630

Net cash flow generated from operating activities

Net cash generated from operating activities primarily comprises the profit/(loss) before income tax, and adjusted by changes in working capital, such as inventories and construction work-in-progress, trade and other receivables, and trade and other payables.

For the nine months ended 30 September 2017, net cash generated from operating activities was SGD11.6 million, which was primarily attributable to the loss before income tax of SGD1.3 million, as adjusted by (i) the add-back of non-cash items, primarily comprising depreciation and amortization of SGD6.3 million; and (ii) changes in working capital, which primarily comprised an decrease in trade and other receivables of SGD32.2 million due to receivables from customers to customers that remained unpaid as at 30 September 2017 and an increase in the trade and other payables of SGD37.3 million due to increase in trade and other payables to related parties, partially offset by an increase in inventories and construction work-in-progress of SGD57.7 million due to additional receivables from customers.

For the year ended 31 December 2016, net cash generated from operating activities was SGD44.4 million, which was primarily attributable to the profit before income tax of SGD27.4 million, as adjusted by (i) the add-back of non-cash items, primarily comprising depreciation and amortization of SGD7.8 million and loss on issuance of deferred shares of SGD7.0 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of SGD56.4 million relating to purchases of materials and payment for subcontracting services, partially offset by an increase in inventories and construction work-in-progress of SGD23.8 million due to additional receivables from customers to customers, and an increase in trade and other receivables of SGD19.4 million due to the increase in trade and other receivables from third parties.

For the year ended 31 December 2015, net cash generated from operating activities was SGD 26.0 million, which was attributable to the profit before income tax of SGD21.9 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of SGD6.7 million and interest expenses of SGD2.5 million; and (ii) changes in working capital, which primarily comprised the decrease in inventories and construction work-in-progress of SGD24.8 million due to projects completed acceptance in 2015, partially offset by an increase in trade and other receivables of SGD27.6 million due to lower amount of payment received from customers.

For the year ended 31 December 2014, net cash generated from operating activities was SGD13.2 million, which was attributable to the profit before income tax of SGD16.7 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of SGD2.4 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of SGD42.5 million due to less payment to creditors, partially offset by an increase in trade and other receivables of SGD38.9 million due to lower amount of payment received from customers and an increase in inventories and construction work-in-progress of SGD11.1 million due to more projects being undertaken.

Net cash flow generated from/(used in) investing activities

For the nine months ended 30 September 2017, net cash used in investing activities was SGD13.4 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of SGD14.1 million resulting from the addition of patents and development costs.

For the year ended 31 December 2016, net cash used in investing activities was SGD4.6 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of SGD16.7 million resulting from the additional investment in construction of factories, partially offset by proceeds from sales of assets held for sale of SGD6.5 million.

For the year ended 31 December 2015, net cash used in investing activities was SGD41.5 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of SGD41.6 million resulting from (i) additional investment in the construction of factories in Shenzhen and Kunshan; (ii) an increase in intangible assets relating to the acquisition of operating rights to an automated parking system in China; and (iii) acquisition of additional land use rights for the construction of a new office and production facility.

For the year ended 31 December 2014, net cash generated from investing activities was SGD8.9 million, which was mainly attributable to net cash from reverse acquisition of SGD20.5 million resulting from the acquisition of the entire issued share capital of TianDa by way of issuance of new ordinary shares in the Pteris, and partially offset by additions to property, plant and equipment and intangible assets of SGD12.1 million due to the additional investment in the construction of two new offices and production facilities.

Net cash flow generated from/ (used in) financing activities

For the nine months ended 30 September 2017, net cash generated from financing activities was SGD10.7 million, which primarily comprised proceeds of borrowings from related companies of SGD13.3 million, proceeds of borrowings from banks of SGD3.9 million and cash injection from non-controlling interest of a subsidiary of SGD3.1 million, partially offset by the repayment of borrowings to related companies of SGD7.1 million.

For the year ended 31 December 2016, net cash used in financing activities was SGD16.2 million, which primarily comprised repayment of borrowings to related companies of SGD55.7 million and repayment of borrowings to banks of SGD10.1 million, partially offset by proceeds of borrowings from related companies of SGD38.8 million and proceeds of borrowings from banks of SGD14.0 million.

For the year ended 31 December 2015, net cash used in financing activities was SGD1.8 million, which primarily comprised repayment of borrowings to banks of SGD78.4 million and repayment of borrowings to related companies of SGD55.4 million, partially offset by cash received for disposal of interest in a subsidiary of SGD54.1 million due to the disposal of 30% interest in TianDa, proceeds of borrowings from related companies of SGD39.6 million and advances received from related companies, being CIMC and TGM, of SGD17.8 million.

For the year ended 31 December 2014, net cash generated from financing activities was SGD18.2 million, which primarily comprised proceeds of borrowings from related companies, being CIMC and CIMC Finance, of SGD51.4 million and proceeds of borrowings from banks of SGD18.5 million, partially offset by the repayment of borrowings to related company, being CIMC Finance, of SGD49.4 million.

Foreign Exchange Exposure

During the Period Under Review, the transactions and borrowings of the Pteris Group were mainly denominated in Renminbi, U.S. dollar, Euro and Singapore dollar. Management of the Pteris Group monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure should the need arise. During the Period Under Review, the Pteris Group had entered into U.S. dollar/Renminbi and Euro/Renminbi currency forwards used to manage the exposure from receivables from sales of goods and committed purchase of inventories in foreign currencies.

Interest Rate Exposure

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. During the Period Under Review, the Pteris Group did not enter into any instruments to hedge against interest rate risks from borrowings.

Capital Commitments

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Pteris Group had capital commitments of SGD104.6 million, SGD53.9 million, SGD41.0 million and SGD14.5 million, respectively. These capital commitments relate to construction of new factory premises of the Pteris Group.

Capital expenditures contracted for at the end of the year but not yet incurred are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Construction of new factory premises				
– Approved by directors and contracted for	21,682	23,949	7,293	–
– Approved by directors and not contracted for	82,930	29,996	33,753	14,467
	104,612	53,945	41,046	14,467

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 following table sets forth operating lease commitments of the Pteris Group by lease term as of the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
No more than 1 year	2,229	1,855	880	2,223
More than 1 year and no more than 5 years	2,851	2,039	1,465	5,042
More than 5 years	16,404	13,378	10,937	10,179
	21,484	17,272	13,282	17,444

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 following table sets forth operating lease rental receivables of the Pteris Group by lease term as of the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
No more than 1 year	2,936	4,796	4,728	4,102
More than 1 year and no more than 5 years	6,685	10,817	7,500	8,332
More than 5 years	–	9,166	7,123	6,111
	9,621	24,779	19,351	18,545

Charge on Assets

The Pteris Group did not have any charge on assets as at 31 December 2015 and 2016. As at 31 December 2014, the bank borrowings of the Pteris Group were secured by a debenture over assets and a mortgage against the leasehold buildings of Pteris in Singapore. As at 30 September 2017, the bank borrowings amounting to SGD546,000 were secured by certain trade receivables of a subsidiary of the Pteris.

Contingent Liabilities

As at 31 December 2014, 2015, 2016 and 30 September 2017, the Pteris Group did not have any significant contingent liabilities.

Treasury Policies

The Pteris Group generally finances its operations with internally generated resources and external borrowings. The objective of the Pteris Group's treasury policies is to minimize risks. The Pteris Group adopts a prudent treasury policy towards its overall business operation and manages and monitors its financial risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Material Investment, Acquisition and Disposals

In August 2014, according to the conditional sale and purchase agreements the Pteris Group entered into with China International Marine Containers (Hong Kong) Ltd ("**CIMC-HK**") and TGM, the Pteris Group completed the acquisition of the entire issued share capital of TianDa by way of issuance of new ordinary shares.

In November 2015, the Pteris Group acquired the entire issued and paid up share capital of CIMC Air Marrel SAS, a French manufacturer and exporter of ground support equipment. This acquisition is in line with the Pteris Group's strategy to expand its ground support equipment business.

For details about the above acquisitions, please refer to the note 35 to the Accountant's Report of the Pteris Group as set out in Appendix III (A) to this circular.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals during the year ended 31 December of 2014, 2015 and 2016 and the nine months ended 30 September 2017.

Employees and Remuneration Policy

As at 31 December 2014, 2015, 2016 and 30 September 2017, the Pteris Group had approximately 1,570, 1,580, 1,510 and 1,740 employees, respectively. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, the employees' benefit expenses (including directors and senior management's emoluments) of the Pteris Group were approximately SGD37.1 million, SGD48.6 million, SGD51.3 million and SGD40.0 million, respectively. The employees' benefit expenses comprise salaries, wages and welfare, pension, housing fund, medical insurance and other social insurances.

There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the CFE Directors in consequence of the Proposed Acquisitions.

Prospects of New Products of the Pteris Group

The intelligent passenger inspection transport system is a complex, highly automated inspection, conveying and sorting system. This new product is characterized by its high intelligence, high efficiency and enhanced safety, which can greatly improve the airports' security inspection management as well as the level of baggage sorting and transportation management. With its years of accumulated experience in airport passenger baggage systems, Pteris has continuously studied and simulated the existing passenger baggage security screening systems and conducted in-depth research and development through its internal R&D and technical departments, resulting in the development of an innovative product which fills the void of the domestic market.

VII. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TIANDA GROUP

Set out below is the management discussion and analysis of TianDa Group for each of the three years ended 31 December 2014, 2015 and 2016 and the nine months period ended 30 September 2017. The following financial information is based on the Accountant's Report of TianDa Group as set out in Appendix III (B) of this circular.

Overview of TianDa Group

Shenzhen CIMC-TianDa Airport Support Limited (深圳中集天達空港設備有限公司), is a company established in the PRC with limited liability and a non-wholly owned subsidiary of Pteris. TianDa Group is principally engaged in the design and manufacture of passenger boarding bridges and ground support equipment. TianDa Group's ground support equipment business includes design and manufacture of apron bus.

As at the Latest Practicable Date, TianDa was directly owned by Pteris and Lucky Rich as to 70% and 30%, respectively.

Financial Review

Revenue

The revenue of TianDa Group increased from approximately RMB983.7 million for the year ended 31 December 2014 to approximately RMB1,125.9 million for the year ended 31 December 2015 mainly due to the increase of the revenue from PBB and APS business. The revenue from PBB and APS segment increased from RMB757.4 million for the year ended 31 December 2014 to RMB876.1 million for the year ended 31 December 2015, primarily due to the completion and delivery of two PBB projects in Zhengzhou and Hong Kong with relatively larger revenue scale in 2015 as compared with that of 2014. The revenue from logistics system business increased from RMB137.8 million for the year ended 31 December 2014 to RMB169.3 million for the year ended 31 December 2015, primarily due to the completion and delivery of two logistics business projects in Shanghai and Sichuan with relatively higher revenue in 2015 as compared with that of 2014.

Revenue from GSE segment decreased from RMB88.5 million for the year ended 31 December 2014 to RMB80.5 million for the year ended 31 December 2015, primarily due to the revenue of the GSE projects completed and delivered in 2015 is relatively lower as compared with that in 2014.

The revenue of TianDa Group increased from approximately RMB1,125.9 million for the year ended 31 December 2015 to approximately RMB1,134.2 million for the year ended 31 December 2016 mainly due to the increase of revenue from the increase of the revenue from PBB, APS and GSE businesses. Revenue from PBB and APS segment increased from RMB876.1 million for the year ended 31 December 2015 to RMB894.8 million for the year ended 31 December 2016, primarily due to the increased revenue from the PBB projects completed and delivered outside the PRC market. Revenue from logistics system business decreased from RMB169.3 million for the year ended 31 December 2015 to RMB132.5 million for the year ended 31 December 2016, primarily due to the increased competition in the logistics business industry and the relatively lower revenue of the logistics business projects delivered in 2016. Revenue from the GSE segment increased from RMB80.5 million for the year ended 31 December 2015 to RMB106.9 million for the year ended 31 December 2016, resulting from the expansion of GSE business of TianDa Group in the international market and the increase of the GSE projects delivered in 2016.

For the nine months ended 30 September 2017, the revenue of TianDa Group increased from approximately RMB385.4 million for the nine months ended 30 September 2016 to approximately RMB409.7 million mainly due to the increase in the revenue contribution from PBB segment. Revenue from PBB and APS segment increased from RMB247.5 million for the nine months ended 30 September 2016 to RMB327.3 million for the nine months ended 30 September 2017, primarily due to more PBB projects being completed and delivered in the nine months ended 30 September 2017 as compared with same period in 2016. Revenue from logistics system business decreased from RMB64.8 million for the nine months ended 30 September 2016 to RMB21.7 million for the nine months ended 30 September 2017 due to the completion and delivery of several major logistics business projects with relatively higher revenue in the fourth quarter of 2017 as compared with the same period in 2016. Revenue from GSE segment decreased from RMB73.0 million for the nine months ended 30 September 2016 to RMB60.8 million for the nine months ended 30 September 2017, primarily due to the completion and delivery of several major GSE projects with relatively higher revenue in the fourth quarter of 2017 as compared with the same period in 2016.

Gross Profit

The gross profit of TianDa Group decreased from RMB258.2 million for the year ended 31 December 2014 to RMB255.2 million for the year ended 31 December 2015 mainly due to the increase of cost of inventory and subcontracting expenses in 2015.

The gross profit of TianDa Group increased from RMB255.2 million for the year ended 31 December 2015 to RMB309.3 million for the year ended 31 December 2016 mainly due to the increase of revenue from TianDa Group's projects outside of the PRC and the decrease of cost of inventory and subcontracting expenses in 2016.

The gross profit of TianDa Group decreased from RMB119.2 million for the nine months ended 30 September 2016 to RMB100.9 million for the nine months ended 30 September 2017, which was mainly due to there being increased cost of sales resulting in lower profits for the nine months ended 30 September 2017 compared to the same period in 2016.

Other Income

The other income of TianDa Group increased from RMB8.9 million for the year ended 31 December 2014 to RMB33.6 million for the year ended 31 December 2015, mainly due to the increase of government grants of RMB24.1 million in 2015.

The other income of TianDa Group increased from RMB33.6 million for the year ended 31 December 2015 to RMB39.5 million for the year ended 31 December 2016, mainly due to the increase of rental income of RMB7.3 million in 2016.

The other income of TianDa Group increased from RMB21.4 million for the nine months ended 30 September 2016 to RMB29.6 million for the nine months ended 30 September 2017, which was mainly due to the increase in government grants of RMB2.5 million and rental income of RMB3.5 million in the nine months ended 30 September 2017.

Selling and Distribution Expenses

Selling and distribution expenses for the years ended 31 December 2014, 2015 and 2016 of RMB53.1 million, RMB52.0 million and RMB54.3 million, respectively.

Selling and distribution expenses decreased from RMB39.9 million for the nine months ended 30 September 2016 to RMB32.7 million for the nine months ended 30 September 2017, which was due to the effectiveness of cost control associated with enhanced project management by TianDa Group.

General and Administrative Expenses

General and administrative expenses for the years ended 31 December 2014, 2015 and 2016 of RMB109.2 million, RMB117.7 million and RMB146.2 million, respectively. The increase was due to the increase of employee benefit expenses, research and development expenses and depreciation of property, plant and equipment.

General and administrative expenses increased from RMB92.8 million for the nine months ended 30 September 2016 to RMB111.9 million for the nine months ended 30 September 2017, which was due to the increase of research and development expenses and employee benefit expenses.

Operating Profit/Loss

Primarily as a result of the foregoing factors, the operating profit of TianDa Group increased from approximately RMB104.2 million for the year ended 31 December 2014 to RMB119.2 million for the year ended 31 December 2015 and further increased to RMB154.8 million for the year ended 31 December 2016.

Primarily as a result of the foregoing factors, TianDa Group incurred an operating loss of RMB9.6 million for the nine months ended 30 September 2017 as compared to the operating profit RMB14.1 million of TianDa Group for the nine months ended 30 September 2016.

Profit/Loss for the Year/Period

As a result of the above factors, the profit of TianDa Group for the years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2016 was approximately RMB87.9 million, RMB96.8 million and RMB130.1 million and RMB10.1 million respectively, and the net loss of TianDa Group for the nine months ended 30 September 2017 was RMB11.3 million.

Major Balance Sheet Items, Financial Resources and Capital Structure

Current Assets

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, TianDa Group had current assets of approximately RMB1,157.9 million, RMB1,016.1 million, RMB1,340.6 million and RMB1,550.9 million, respectively, which mainly comprised trade and other receivables, and inventories.

(a) Trade receivables

The trade receivables of TianDa Group increased from RMB639.4 million as at 31 December 2014 to RMB685.5 million as at 31 December 2015, and further increased to RMB874.5 million as at 31 December 2016. The above increase in the trade receivables of TianDa Group was largely consistent with the increase of the revenue of TianDa Group during the same periods. The trade receivables of TianDa Group as at 30 September 2017 was RMB580.8 million, and the decrease from RMB874.5 million as at 31 December 2016 was due to the collection of certain trade receivables at the beginning of 2017.

(b) Inventories

The inventories of TianDa Group decreased from RMB259.8 million as at 31 December 2014 to RMB182.2 million as at 31 December 2015, primarily due to the decrease of work in progress, and increase in revenue from sale of goods during the period.

The inventories of TianDa Group increased from RMB182.2 million as at 31 December 2015 to RMB228.4 million as at 31 December 2016, resulting from the expansion of business and sales scale, which further increased to RMB545.0 million as at 30 September 2017, primarily due to the increase of work in progress which were consistent with the increase of sales and revenue of TianDa Group during the same periods.

(c) Cash and cash equivalents

The cash and cash equivalents of TianDa Group decreased from RMB153.9 million as at 31 December 2014 to RMB72.9 million as at 31 December 2015, primarily due to repayment of borrowings and investment in factories plant construction.

The cash and cash equivalents of TianDa Group increased from RMB72.9 million as at 31 December 2015 to RMB123.6 million as at 31 December 2016, primarily due to the cash flows generated from operating activities.

The cash and cash equivalents of TianDa Group increased from RMB123.6 million as at 31 December 2016 to RMB175.8 million as at 30 September 2017, primarily due to more advances received from customers offset by the higher level of inventories purchased arising from higher level of operating activities and RMB15 million received from non-controlling interest of a subsidiary during the financial period.

(d) Prepayments and other receivables

The prepayments and other receivables of TianDa Group decreased from RMB104.6 million as at 31 December 2014 to RMB74.4 million as at 31 December 2015, primarily due to the decrease of prepayments of RMB37.3 million, resulting from the increased efforts to manage the prepayments of TianDa Group by expediting the verification and acceptance process of materials purchased.

The prepayments and other receivables of TianDa Group increased from RMB74.4 million as at 31 December 2015 to RMB113.1 million as at 31 December 2016, which further increased to RMB248.7 million as at 30 September 2017, primarily due to the increase of prepayments, resulting from the increase of raw materials because of the expansion of the production of TianDa Group.

Non-Current Assets

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the TianDa Group had non-current assets of approximately RMB279.0 million, RMB610.7 million, RMB657.9 million and RMB718.0 million, respectively.

(a) Property, plant and equipment

The property, plant and equipment of TianDa Group increased from RMB179.0 million as at 31 December 2014 to RMB391.9 million as at 31 December 2015, and further increased to RMB445.9 million as at 31 December 2016. The above increase in the property, plant and equipment of TianDa Group was primarily due to the addition of land and buildings of TianDa Group resulting from the expansion of the production facilities of TianDa Group. The property, plant and equipment of TianDa Group as at 30 September 2017 was RMB431.9 million and the reason for the decrease from RMB445.9 million as at 31 December 2016 was due to the decease of net asset value resulting from the depreciation of property, plant and equipment.

(b) Investment properties

The investment properties of TianDa Group increased from nil as at 31 December 2014 to RMB66.2 million as at 31 December 2015, primarily due to the increase in investment properties transferred from property, plant and equipment and land use rights of TianDa Group, and further increased to RMB68.5 million as at 31 December 2016, which remained relatively flat.

The investment properties of TianDa Group increased from RMB68.5 million as at 31 December 2016 to RMB69.5 million as at 30 September 2017.

(c) Intangible assets

The intangible assets of TianDa Group increased from RMB13.5 million as at 31 December 2014 to RMB65.3 million as at 31 December 2015, primarily due to the increase in operating rights for APS in China.

The intangible assets of TianDa Group decreased from RMB65.3 million as at 31 December 2015 to RMB54.2 million as at 31 December 2016, primarily due to the decrease in operating rights for APS resulting from amortization.

The intangible assets of TianDa Group increased from RMB54.2 million as at 31 December 2016 to RMB124.5 million as at 30 September 2017, primarily due to the increase of patents of RMB51.7 million and goodwill from acquisition in 2017 of RMB13.6 million.

(d) Land use rights

The land use rights of the TianDa Group amounted to RMB66.7 million, RMB70.5 million, RMB68.9 million and RMB67.7 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

Current Liabilities

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, TianDa Group had current liabilities of approximately RMB921.4 million, RMB965.8 million, RMB1,091.5 million and RMB1,327.8 million, respectively, which mainly comprised trade and other payables and borrowings.

(a) Trade and other payables

The trade and other payables of TianDa Group increased from RMB661.1 million as at 31 December 2014 to RMB833.8 million as at 31 December 2015, primarily due to the increase of borrowings from related companies of RMB98.1 million.

The trade and other payables of TianDa Group increased from RMB833.8 as at 31 December 2015 to RMB993.6 million as at 31 December 2016, primarily due to the increase of advances received of RMB137.0 million, representing more advanced payments received from customers as there were more ongoing projects in 2016.

The trade and other payables of TianDa Group increased from RMB993.6 million as at 31 December 2016 to RMB1,221.2 million as at 30 September 2017, primarily due to the increase of advances received of RMB343.9 million, representing more advanced payments received from customers as there were more ongoing projects in the nine months ended 30 September 2017.

(b) Borrowings

The borrowings of TianDa Group decreased from RMB185.0 million as at 31 December 2014 to RMB53.0 million as at 31 December 2015, which further decreased to RMB20.0 million as at 31 December 2016, primarily due to the decrease of loans from related parties and bank borrowings.

The borrowings of TianDa Group increased from RMB20.0 million as at 31 December 2016 to RMB50.0 million as at 30 September 2017, primarily due to the increase of loans from related parties, representing the short-term loans from CIMC Finance.

(c) Provisions

The provisions of TianDa Group amounted to RMB54.2 million, RMB60.9 million, RMB56.8 million and RMB54.8 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

Non-current Liabilities

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the TianDa Group had non-current liabilities of approximately RMB40.8 million, RMB60.3 million, RMB176.1 million and RMB196.0 million, respectively.

(a) Trade and other payables

The trade and other payables of TianDa Group amounted to nil, RMB11.4 million, RMB78.1 million and RMB79.1 million as at 31 December of 2014, 2015 and 2016 and 30 September 2017, respectively. The above increase was primarily due to the increase of amounts due to ultimate holding company related to medium term notes with maturity in 2019.

(b) Borrowings

The borrowings of TianDa Group amounted to nil, RMB5.9 million, RMB47.3 million and RMB47.3 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. The increase was mainly due to the increase of long-term bank borrowings.

(c) Deferred income

The trade and other payables of TianDa Group, which comprises government grants, amounted to RMB40.8 million, RMB43.0 million, RMB50.7 million and RMB69.7 million as at 31 December of 2014, 2015 and 2016 and 30 September 2017, respectively.

Current Ratio

TianDa Group's current ratio (being current assets divided by current liabilities) as at 31 December of 2014, 2015 and 2016 and 30 September 2017 was approximately 1.3, 1.1, 1.2 and 1.2, respectively, which remained relatively stable.

Gearing Ratio

As at 31 December of 2014, 2015 and 2016 and 30 September 2017, the gearing ratio (being total borrowings divided by total assets) was approximately 12.9%, 3.6%, 3.4% and 4.3%, respectively. The changes in the gearing ratios were due to the fluctuation of the total borrowings of TianDa Group during the Period Under Review.

Liquidity and Cash Flows

The following table sets forth TianDa Group's cash flows for the periods indicated:

	For the Year Ended 31 December			For the Nine Months Ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	81,090	180,232	174,727	125,070	72,154
Net cash used in investing activities	(56,400)	(230,663)	(69,778)	(64,660)	(59,325)
Net cash generated from/ (used in) financing activities	91,655	(30,872)	(56,394)	(57,787)	40,366
Net increase/(decrease) in cash and cash equivalents	116,345	(81,303)	48,555	2,623	53,195
Cash and cash equivalents at the beginning of the year/ period	38,279	153,930	72,933	72,933	123,582
Exchange gains/(losses) on cash and cash equivalents	(694)	306	2,094	(429)	(1,016)
Cash and cash equivalents at the end of the year/ period	153,930	72,933	123,582	75,127	175,761

Net cash flow generated from operating activities

Net cash generated from operating activities primarily comprises the profit/(loss) before income tax, and adjusted by changes in working capital, such as inventories, trade and other receivables, and trade and other payables.

For the nine months ended 30 September 2017, net cash generated from operating activities was RMB72.2 million, which was primarily attributable to the loss before income tax of RMB14.3 million, as adjusted by (i) the add-back of non-cash items, primarily comprising depreciation and amortization of RMB27.7 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of RMB213.5 million due to the increase of raw materials due to expansion of production and an decrease in the trade and other receivables of RMB173.0

million due to the increase of advances for purchasing materials targeting from the prospected sales in the fourth quarter of 2017, partially offset by an increase in inventories of RMB309.0 million due to the increase of the costs of work in progress.

For the year ended 31 December 2016, net cash generated from operating activities was RMB174.7 million, which was primarily attributable to the profit before income tax of RMB147.8 million, as adjusted by (i) the add-back of non-cash items, primarily comprising depreciation and amortization of RMB29.2 million and interest expenses of RMB6.9 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of RMB212.4 million due to the increase of purchase of materials due to expansion of production, partially offset by an increase in trade and other receivables of RMB150.8 million due to the increase of the projects sold in the fourth quarter of 2016 and an increase in inventories of RMB46.2 million due to the increase of the costs of work in progress.

For the year ended 31 December 2015, net cash generated from operating activities was RMB 180.2 million, which was primarily attributable to the profit before income tax of RMB111.2 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of RMB15.6 million and interest expenses of RMB8.0 million; and (ii) changes in working capital, which primarily comprised the decrease in inventories of RMB96.7 million due to projects completed acceptance in 2015, partially offset by an increase in trade and other receivables of RMB41.4 million due to the increase of sales in 2015.

For the year ended 31 December 2014, net cash generated from operating activities was RMB81.1 million, which was primarily attributable to the profit before income tax of RMB102.7 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of RMB4.7 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of RMB182.6 million due to the high value of finished goods in inventory in 2014, partially offset by an increase in trade and other receivables of RMB164.2 million due to the increase of sales in 2014, and an increase in inventories of RMB45.6 million due to the increase of finished goods in the end of 2014.

Net cash flow used in investing activities

For the nine months ended 30 September 2017, net cash used in investing activities was RMB59.3 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of RMB61.9 million resulting from the addition of patents and development costs, partially offset by cash received from government grants relating to assets.

For the year ended 31 December 2016, net cash used in investing activities was RMB69.8 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of RMB77.1 million resulting from the payment for construction of factories, partially offset by cash received from government grants related to assets of RMB15.6 million.

For the year ended 31 December 2015, net cash used in investing activities was RMB230.7 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of RMB237.3 million resulting from the payment for construction of factories, partially offset by cash received from government grants related to assets of RMB4.8 million.

For the year ended 31 December 2014, net cash used in investing activities was RMB56.4 million, which was mainly attributable to additions to property, plant and equipment and intangible assets of RMB58.9 million resulting from the payment for construction of production facilities, partially offset by interest received of RMB2.5 million.

Net cash flow generated from/(used in) financing activities

For the nine months ended 30 September 2017, net cash generated from financing activities was RMB40.4 million, which primarily comprised proceeds of borrowings from related companies of RMB65.0 million and cash injection from non-controlling interest of a subsidiary of RMB15.0 million, partially offset by the repayment of borrowings to related companies of RMB35.0 million.

For the year ended 31 December 2016, net cash used in financing activities was RMB56.4 million, which primarily comprised the repayment of borrowings to related companies of RMB266.4 million and the repayment of borrowings to banks of RMB30.0 million, partially offset by proceeds of borrowings from related companies of RMB195.5 million representing the borrowings from related companies and proceeds of borrowings from banks of RMB51.4 million representing the long-term bank loans of RMB41.4 million and a short-term loan of RMB10.0 million.

For the year ended 31 December 2015, net cash used in financing activities was RMB30.9 million, which primarily comprised repayment of borrowings to banks of RMB120.0 million and repayment of borrowings to related companies (mainly being CIMC Finance and Pteris) of RMB298.5 million, partially offset by the proceeds of borrowings from related companies (mainly being CIMC, Pteris and CIMC Finance) of RMB330.7 million and proceeds of borrowings from banks of RMB65.9 million.

For the year ended 31 December 2014, net cash generated from financing activities was RMB91.7 million, which primarily comprised proceeds of borrowings from related companies of RMB250.0 million, representing short-term borrowings from CIMC Finance and CIMC and proceeds of borrowings from banks of RMB90.0 million, partially offset by repayment of borrowings to CIMC Finance of RMB240.4 million and interest paid of RMB8.0 million.

Foreign Exchange Exposure

During the Period Under Review, the transactions and borrowings of TianDa Group were mainly denominated in Renminbi, U.S. dollar, Hong Kong dollar and Euro. Management of TianDa Group monitors the foreign exchange risk closely and will consider hedging significant foreign currency risk exposure should the need arise. During the Period Under Review, the TianDa Group had entered into U.S. dollar/Renminbi and Euro/Renminbi currency forwards used to manage the exposure from receivables from sales of goods and committed purchase of inventories in foreign currencies.

Interest Rate Exposure

The TianDa Group's bank borrowings and loans from related parties are carried at various floating and fixed rates which expose the TianDa Group to cash flow and fair value interest rate risk respectively. During the Period Under Review, TianDa Group did not enter into any instruments to hedge against interest rate risks from borrowings.

Capital Commitments

As at 31 December 2014, 2015 and 2016 and 30 September 2017, TianDa Group had capital commitments of RMB486.6 million, RMB248.8 million, RMB114.0 million and RMB70.8 million, respectively. These capital commitments related to the construction of new factory premises of TianDa Group.

Capital expenditures contracted for at the end of the year/period but not yet incurred are as follows:

	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction of new factory premises				
– Approved by directors and contracted for	100,846	110,451	35,000	–
– Approved by directors and not contracted for	385,722	138,341	78,990	70,842
	486,568	248,792	113,990	70,842

Operating Lease Commitments

The TianDa Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The following table sets forth operating lease commitments of TianDa Group by lease term as of the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No more than 1 year	4,015	4,398	3,016	5,587
More than 1 year and no more than 5 years	8,840	7,354	6,590	11,380
More than 5 years	9,139	8,338	6,453	5,376
	21,994	20,090	16,059	22,343

Operating Leases Rental Receivables

TianDa 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 following table sets forth operating lease rental receivables of TianDa Group by lease term as of the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No more than 1year	–	10,288	10,288	11,702
More than 1 year and no more than 5 years	–	42,538	42,538	39,632
More than 5 years	–	49,940	39,404	29,926
	–	102,766	92,230	81,260

Charge on Assets

TianDa Group did not have any charge on assets as at 31 December 2014, 2015 and 2016 and 30 September 2017.

Contingent Liabilities

As at 31 December 2014, 2015, 2016 and 30 September 2017, TianDa Group did not have any significant contingent liabilities.

Treasury Policies

TianDa Group generally finances its operations with internally generated resources and external borrowings. The objective of TianDa Group's treasury policies is to minimize risks. TianDa Group adopts a prudent treasury policy towards its overall business operation and manages and monitors its financial risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Material Investment, Acquisition and Disposals

In June 2017, the TianDa Group acquired 100% of the share capital of Zhengzhou Jinte Logistics Automation System Co. Ltd., a company that engages in the construction of modern logistics automation system and high speed sorting systems engineering design, sales, research and development, production, integration, installation and maintenance. Upon completion of the acquisition, Zhengzhou Jinte Logistics Automation System Co. Ltd. became a subsidiary of the TianDa Group. For details about the above acquisition, please refer to the note 32 of the Accountant's Report of TianDa Group as set out in Appendix III (B) to this circular.

Save as disclosed above, TianDa Group did not have any significant investments, material acquisitions and disposals during the year ended 31 December of 2014, 2015 and 2016 and the nine months ended 30 September 2017.

Employees and Remuneration Policy

As at 31 December 2014, 2015, 2016 and 30 September 2017, TianDa Group had approximately 1,180, 1,180, 1,160 and 1,370 employees, respectively. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, the employees' benefit expenses (including directors and senior management's emoluments) of TianDa Group were approximately RMB148.6 million, RMB152.0 million, RMB175.9 million and RMB143.7 million, respectively. The employees' benefit expenses mainly comprise salaries, wages and welfare, pension, housing fund, medical insurance and other social insurances.

Prospects of New Products of TianDa Group

The below set forth the prospects of the new products to be launched by TianDa Group:

(1) ***Visual Docking Guidance System for aircrafts***. The intelligent passenger inspection transport system Visual Docking Guidance System for aircraft is an aircraft guidance equipment designed for the quick, accurate, safe and reliable parking of aircraft at the designated positions.

(2) ***Pure automated unmanned passenger Boarding Bridges***. The boarding bridge calculates the optimal motion path based on the distances with the aircraft door, generates the motion control instructions in real time, and drives the execution components of the boarding bridge to complete the rotation of the boarding bridge, lifting and other movements, in order to achieve automatic connection of boarding bridge with aircraft door. This product is an excellent example of innovative passenger boarding bridge with core technologies, including boarding bridge automation, a new level of intelligence, robotic vision, artificial intelligence, as well as large-size mechanical and electrical equipment control automation.

(3) ***Intelligent mechanical three-dimensional garage for public buses***. In response to the growing demand of more environmentally-friendly public transportation in Shenzhen and to the development trend of demand for green public transportation using new energy sources, TianDa has developed an intelligent mechanical three-dimensional garage for public buses. With mechanical three-dimensional garage, space and heights can be fully utilized, vehicles can be compactly stored and intelligently managed.

VIII. MATERIAL CHANGE OF THE PTERIS GROUP

Save for:

1) the Proposed Acquisitions;

2) the Subscription;

3) the business development, expansion and investment plans and expected synergies which include, among other things, (a) potential utilization of the CFE Group's production facilities in Sichuan Province by the Pteris Group which may help lower the Pteris Group's labour costs and potential sharing of logistic resources and arrangements with the CFE Group by the Pteris Group which may help lower its distribution costs, as summarized in the sections headed "Reasons for and benefits of the Proposed Acquisitions for CFE" in the Letter from the Board set out in the Circular, (b) the development plans of the Pteris Group in respect of, among other things, introduction of new products to the market, as disclosed in "Business Overview" in Appendix I to the Circular, and (c) future investments by using the net proceeds from the Subscription which include construction of a new PBB factory in the U.S., expansion of PBB business into overseas markets and expansion of research and development activities, as disclosed in "Financial and trading prospects of the Enlarged Group" in Appendix II to the Circular;

4) repayment of amounts due to the ultimate holding company of Pteris and borrowings from related companies of SDG21.6 million (equivalent to RMB105.5 million) in aggregate after 30 September 2017;

5) the fact that the business of the Pteris Group is largely project-based and, as illustrated by the fact that the average monthly revenue increased from SGD15.7 million for the nine months from 1 January 2017 to 30 September 2017 to SGD70.3 million for the three months from 1 October 2017 to 31 December 2017 and then decreased to SGD13.4 million in January 2018, it has been the business pattern for the Pteris Group that most projects are completed in the fourth quarter of each year and thus most revenue each year is recognized in the fourth quarter of a year as explained in the paragraph headed "the Pteris Group's business is largely project-based and its revenue is dependent on it securing new contracts and the stage of completion of the projects" in Appendix I to the Circular and the section headed "Management discussion and analysis of the Pteris Group" set out in Appendix I to the Circular;

6) the Pteris Group's inventory level decreased from SGD128.8 million as at 30 September 2017 to SGD122.8 million as at 31 January 2018 (inventory increased from SGD59.9 million as at 31 December 2016 due to an increase in inventory for sales orders which are expected to be completed and delivered up to 2020, and, as a result of the business pattern of the Pteris Group as referred to in paragraph (5) above, the inventory decreased from SGD128.8 million as at 30 September 2017 to SGD107.6 million as at 31 December 2017 and then increased to SGD122.8 million as at 31 January 2018); and

7) primarily due to the increase in the inventory as referred to in paragraph (6) above, trade and other payables (current portion) increased from SGD273.8 million as at 30 September 2017 to SGD282.0 million as at 31 December 2017 and further increased to SGD282.9 million as at 31 January 2018,

the CFE Directors confirm that there had been no material change in the financial or trading position or outlook of the Pteris Group since the date to which the latest published audited consolidated financial statements of the Pteris Group were made up, being 30 September 2017, up to the Latest Practicable Date.

1. CONSOLIDATED FINANCIAL STATEMENTS OF CFE GROUP

(1) Summary of Financial Information

The following is a summary of the financial information of the CFE Group for the three financial years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 as extracted from the annual reports or audited consolidated financial statements of CFE:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**846,828**	**662,399**	**471,252**	**323,997**
(Loss)/Profit before income tax	**(490,859)**	**39,928**	**24,872**	**24,119**
Income tax expense	(11,180)	(9,484)	(7,586)	(5,949)
(Loss)/Profit for the year/Period	**(502,039)**	**30,444**	**17,286**	**18,170**
Attributable to:				
Owners of the Company	(503,854)	18,611	17,286	18,170
Non-controlling interests	1,815	11,833	–	–
	(502,039)	**30,444**	**17,286**	**18,170**
(Loss)/earnings per share *(RMB cents)*				
Basic	(17.65)	0.54	0.42	0.45
Diluted	(17.65)	0.54	0.42	0.45
Total assets	**1,324,258**	**1,317,226**	**1,310,659**	**1,352,068**
Total liability	**(721,099)**	**(310,639)**	**(257,660)**	**(240,923)**
Total equity	**603,159**	**1,006,587**	**1,052,999**	**1,111,145**

RSM Hong Kong, the auditor of the Company, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the financial statements of the CFE Group for each of the three financial years ended 31 December 2014, 2015 and 2016. Ruihua Certificated Public Accountants, the auditor for the consolidated financial statements for the nine months ended 30 September 2017, did not issue a qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion).

The CFE Group had no items which are exceptional or extraordinary because of size, nature or incidence for each of the three financial years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017.

The Company recommended an interim dividend of HK$3 cents per share of HK$0.01 each in the capital of the Company to be paid entirely out of the share premium account of the Company on 5 June 2015. The interim dividend was approved by the CFE Shareholders at an extraordinary general meeting of the Company on 24 June 2015 and was subsequently paid on 31 July 2015. The Company did not recommend the payment of final dividend for the year ended 31 December 2015. Save as disclosed above, no dividend was declared or paid for the year ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017.

(2) Consolidated Financial Statements

The audited consolidated financial statements of CFE Group for the year ended 31 December 2014 are set out as below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	**2014** *RMB'000*	**2013** *RMB'000*
Continuing operations			
Turnover	7	449,249	392,601
Cost of sales and services		(374,390)	(320,790)
Gross profit		74,859	71,811
Other income	8	4,578	13,053
Selling and distribution costs		(19,444)	(13,538)
Administrative expenses		(62,454)	(48,044)
Share of losses of associates		(208)	(12,515)
Other expenses	10	(223)	(782)
Share of profit of a joint venture		–	1,167
Finance costs	11	(5,865)	(5,260)
(Loss)/profit before tax		(8,757)	5,892
Income tax expense	12	(5,475)	(7,821)
Loss for the year from continuing operations	13	(14,232)	(1,929)
Discontinued operations			
Loss for the year from discontinued operations	14	(487,807)	(159,801)
Loss for the year		(502,039)	(161,730)

	Note	2014 *RMB'000*	2013 *RMB'000*
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(325)	(40)
Other comprehensive income for the year, net of tax		(325)	(40)
Total comprehensive income for the year		(502,364)	(161,770)
Loss for the year attributable to:			
Owners of the Company	17	(503,854)	(152,871)
Non-controlling interests		1,815	(8,859)
		(502,039)	(161,730)
Total comprehensive income for the year attributable to:			
Owners of the Company		(503,868)	(153,138)
Non-controlling interests		1,504	(8,632)
		(502,364)	(161,770)
Loss per share (RMB cents)	19		
From continuing and discontinued operations			
Basic		(17.65)	(5.35)
Diluted		(17.65)	(5.35)
From continuing operations			
Basic		(0.56)	(0.26)
Diluted		(0.56)	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	20	202,316	218,853
Prepaid land lease payments	21	34,211	33,046
Goodwill	22	7,630	7,630
Investments in associates	24	99	3,209
		244,256	262,738
Current assets			
Inventories	25	168,702	154,200
Trade and bills receivables	26	210,106	417,921
Amounts due from contract customers	27	–	547,310
Retention receivables		–	8,562
Prepayments, deposits and other receivables		115,441	71,018
Amounts due from associates	28	1,083	1,103
Prepaid land lease payments	21	726	726
Pledged bank deposits	29	8,369	9,325
Bank and cash balances	29	164,002	136,900
		668,429	1,347,065
Assets of disposal group held for sale	30	411,573	77,820
		1,080,002	1,424,885
Current liabilities			
Trade and other payables	31	257,025	466,392
Amounts due to contract customers	27	–	12,559
Bank borrowings	32	100,000	80,000
Current tax liabilities		2,501	6,780
		359,526	565,731
Liabilities directly associated with assets of disposal group held for sale	30	361,573	34,104
		721,099	599,835
Net current assets		358,903	825,050
Total assets less current liabilities		603,159	1,087,788

	Note	2014 *RMB'000*	2013 *RMB'000*
Non-current liabilities			
Deferred tax liabilities	33	–	2,692
NET ASSETS		603,159	1,085,096
Capital and reserves			
Share capital	34	30,168	30,168
Reserves	36	518,955	1,027,296
Equity attributable to owners of the Company		549,123	1,057,464
Non-controlling interests		54,036	27,632
TOTAL EQUITY		603,159	1,085,096

Approved by the Board of Directors on 20 March 2015

Jiang Xiong	**Jiang Qing**
Director	*Director*

STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	23	187,567	187,567
Current assets			
Prepayments, deposits and other receivables		38	37
Amounts due from subsidiaries	23	484,234	512,794
Bank and cash balances	29	28,637	26,657
		512,909	539,488
Current liabilities			
Accrued charges	31	3,356	3,272
Net current assets		509,553	536,216
NET ASSETS		697,120	723,783
Capital and reserves			
Share capital	34	30,168	30,168
Reserves	36	666,952	693,615
TOTAL EQUITY		697,120	723,783

Approved by the Board of Directors on 20 March 2015

Jiang Xiong
Director

Jiang Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Statutory reserve fund	Exchange reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note 36(c)(i))	*(Note 36(c)(ii))*	*(Note 36(c)(iii))*	*(Note 36(c)(iv))*	*(Note 36(c)(v))*	*(Note 36(c)(vi))*				
At 1 January 2013	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,264)	337,645	1,210,602	36,264	1,246,866
Total comprehensive income and changes in equity for the year	–	–	–	–	–	–	–	(267)	(152,871)	(153,138)	(8,632)	(161,770)
At 31 December 2013	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,531)	184,774	1,057,464	27,632	1,085,096
At 1 January 2014	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,531)	184,774	1,057,464	27,632	1,085,096
Total comprehensive income for the year	–	–	–	–	–	–	–	(14)	(503,854)	(503,868)	1,504	(502,364)
Disposal of subsidiaries *(note 37)*	–	–	–	30,943	(5,250)	(6,338)	(82,427)	(4,473)	63,072	(4,473)	24,900	20,427
Total comprehensive income and changes in equity for the year	–	–	–	30,943	(5,250)	(6,338)	(82,427)	(4,487)	(440,782)	(508,341)	26,404	(481,937)
At 31 December 2014	30,168	646,363	(6,692)	88,783	32,803	19,724	–	(6,018)	(256,008)	549,123	54,036	603,159

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax			
Continuing operations		(8,757)	5,892
Discontinued operations		(482,102)	(155,341)
		(490,859)	(149,449)
Adjustments for:			
Allowance for bad and doubtful debts		163,440	117,615
Allowance for obsolete and slow-moving inventories		729	1,745
Amortisation of prepaid land lease payments		726	739
Depreciation of property, plant and equipment		16,681	21,250
Gain on disposal of subsidiaries	37	(2,461)	–
Gain on disposal of associates	24	(583)	–
Loss on disposal of a joint venture		–	1,123
Impairment loss on goodwill		–	8,618
Impairment loss on investments in associates		–	782
Impairment loss on property, plant and equipment		2,164	24,624
Impairment loss on amounts due from contract customers		312,322	–
Impairment loss on prepayments, deposits and other receivables		22,972	–
Finance costs		5,865	5,466
Interest income		(1,711)	(11,366)
Loss on disposal of property, plant and equipment		51	66
Obsolete stock written off		100	249
Unrecoverable prepayments, deposits and other receivables written off		2,000	–
Share of losses of associates		208	12,515
Share of profit of a joint venture		–	(1,167)

	Note	2014 *RMB'000*	2013 *RMB'000*
Operating profit before working capital changes		31,644	32,810
Increase in inventories		(15,331)	(69,100)
Increase in trade and bills receivables		(72,005)	(6,118)
Increase in amounts due from contract customers		(12,938)	(58,710)
Decrease in retention receivables		–	94
(Increase)/decrease in prepayments, deposits and other receivables		(36,598)	18,374
Increase in trade and other payables		123,867	67,531
Increase in amounts due to contract customers		8,683	1,931
Cash generated from/(used in) operations		27,322	(13,188)
Interest paid		(5,865)	(5,466)
Income tax paid		(11,813)	(9,077)
Net cash generated from/(used in) operating activities		9,644	(27,731)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,539)	(4,170)
Addition of prepaid land lease payments		(1,891)	(1,092)
Prepayment for a land lease		–	(5,848)
Decrease/(increase) in pledged bank deposits		266	(5,044)
Interest received		1,711	11,366
Repayment of advance to associates		20	526
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	37	9,322	–
Disposal of associates	24	3,485	–
Disposal of a joint venture		–	9,854
Proceeds from disposal of property, plant and equipment		180	10
Net cash generated from investing activities		10,554	5,602

	2014	2013
	RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	105,000	80,000
Repayment of bank loans	(85,000)	(90,000)
Advance from non-controlling shareholders	–	201
Net cash generated from/(used in) financing activities	20,000	(9,799)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	40,198	(31,928)
Effect of foreign exchange rate changes	64	(309)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	161,755	193,992
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	202,017	161,755
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	164,002	136,900
Bank and cash balances included in disposal group held for sale	38,015	24,855
	202,017	161,755

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "PRC") is No. 8 Section I, Xin Hua Road, Chengdu Cross Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, the PRC.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 23 and 24 to the consolidated financial statements respectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the 'HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's consolidated financial statements as the Company does not qualify to be an investment entity.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on the Group's consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKAS 8.30 requires the entities analyse the impact of these new or revised HKFRSs on the consolidated financial statements based on their specific facts and circumstances and make appropriate disclosures, e.g. describe the potential impact of the application of the new and revised HKFRSs, if any.

List of New and revised HKFRSs in issue but not yet effective for reference (up to 30 November 2014)

HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties which is carried at its fair value and assets of disposal group held for sale which is carried at the lower of carrying amount and fair value less costs of disposal.

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated exchange reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this 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 at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary terms that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the term of the lease or 20 – 30 years
Plant and equipment	10% – 33%
Tooling and moulds	10% – 20%
Furniture and fixtures	10% – 33%
Computers	20% – 33%
Motor vehicles	10% – 25%
Leasehold improvements	Over the shorter of the term of the lease or 20%

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

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(h) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

– An asset is created that can be identified;
– It is probable that the asset created will generate future economic benefits; and
– The development cost of the asset can be measured reliably.

Development costs capitalised include tailor-made software for the provision of online advertising services and costs for developing new models of certain fire prevention and fighting equipment that are internally generated intangible assets and are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of an installation contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. The accounting policy for contract revenue is stated in (t) below.

Installation contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Amounts due from contract customers". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Amounts due to contract customers". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the statement of financial position under "Trade and other payables".

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(m) Trade, bills and other receivables

Trade, bills and other receivables (including retention receivables and amounts due from associates) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group and that either has been disposed of, or is classified as held for sale, i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned or to be abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and
– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when the services are rendered.

Income from guest house and food and beverage services is recognised when the relevant services are provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

When the outcome of an installation contract can be estimated reliably, revenue from a fixed price installation contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

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

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially 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.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

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

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

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

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

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

(y) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets – except goodwill, investments in associates, investment properties, inventories and receivables, of which the impairment policies are set out in notes 3(b), 3(c), 3(g), 3(j) and 3(m) respectively, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Legal titles of certain land and buildings

As stated in notes 20 and 21 to the consolidated financial statements, the Group is in the process of applying for the property rights certificates and the land use rights certificates in respect of certain leasehold land and buildings. Despite the fact that the Group has not obtained all the relevant legal titles, the directors determined to recognise those buildings and prepaid land lease payments as property, plant and equipment and prepaid land lease payments, respectively, on the grounds that the Group is in substance controlling those land and buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2014 was RMB202,316,000 (2013: RMB218,853,000).

(b) Profit recognition of installation contracts

The Group recognises revenue on installation contracts by reference to the stage of completion of the individual contract activity when the outcome of an installation contract can be estimated reliably.

The total budgeted contract cost of each installation contract is estimated by the management. The Group regularly reviews and revises the budget with reference to the progress and anticipated margin of each individual installation contract. Stage of completion is then measured by the proportion that contract costs incurred for work performed to date compare to the estimated total contract costs. In certain circumstances, the percentage of completion is also supported by a certificate from the quantity surveyors or customers.

For applying the percentage of completion method, the Group needs to estimate the gross profit margin of each installation contract, which is determined based on the estimated total installation contract costs and total installation contract sum. During the year, RMB390,081,000 (2013: RMB421,818,000) of revenue from installation contracts was recognised.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB7,630,000 after an impairment loss of RMB37,718,000 which was accumulated over the years. Details of the impairment loss assessment are disclosed in note 22 to the consolidated financial statements.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2014, impairment loss for bad and doubtful debts amounted to RMB17,588,000 (2013: RMB289,046,000) have been made.

(e) Allowance for obsolete and slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 31 December 2014, allowances for obsolete and slow-moving inventories amounted to RMB2,957,000 (2013: RMB4,221,000) have been made.

(f) Income taxes

The 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. During the year, RMB5,475,000 (2013: RMB7,821,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2014 and 31 December 2013 are as follows:

Group	**Exposure to foreign currencies**					
	2014			**2013**		
	United States dollars	**Euro**	**Hong Kong dollars**	**United States dollars**	**Euro**	**Hong Kong dollars**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	–	18	–	–	–	–
Pledged bank deposits and bank and cash balances	8,773	8,732	8,501	4,770	9,681	14,605
Trade and other payables	–	–	–	(6)	(219)	–
	8,773	8,750	8,501	4,764	9,462	14,605

Company	**Exposure to foreign currencies**					
	2014			**2013**		
	United States dollars	**Euro**	**Hong Kong dollars**	**United States dollars**	**Euro**	**Hong Kong dollars**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and cash balances	2,014	8,730	7,145	–	–	13,276

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

The following table details the 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.

	2014	**2013**
	RMB'000	*RMB'000*
(Decrease)/increase in loss and other comprehensive income for the year		
– if RMB weakens against foreign currencies		
Hong Kong dollars ("HKD")	(425)	(730)
United States dollars ("USD")	(439)	(238)
Euro ("EUR")	(437)	(473)
– if RMB strengthens against foreign currencies		
HKD	425	730
USD	439	238
EUR	437	473

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(b) Credit risk

The carrying amount of the trade and bills receivables, retention receivables, deposits and other receivables, amounts due from associates, bank and cash balances and pledged bank deposits included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. In order to minimise credit risk, credit limits and credit terms granted to customers should be approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentrations of credit risk on trade and bills receivables, retention receivables and other receivables with exposure spread over a number of counterparties and customers.

(c) Liquidity risk

The 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 maturity analysis of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or, if floating, based on current rates at the end of the reporting period) is as follows:

	Less than 1 year
	RMB'000
Group	
At 31 December 2014	
Trade payables	84,442
Accrued charges	43,665
Value added tax, sales tax and other levies	3,002
Bank borrowings	100,000
At 31 December 2013	
Trade payables	102,006
Accrued charges	292,694
Value added tax, sales tax and other levies	25,153
Bank borrowings	80,000
Company	
At 31 December 2014	
Accrued charges	3,356
At 31 December 2013	
Accrued charges	3,272

(d) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

	2014	**2013**
Reasonably possible change in interest rate	50 basis points	50 basis points
	RMB'000	*RMB'000*
Increase/(decrease) in loss and other comprehensive income for the year		
– as a result of increase in interest rate	440	385
– as a result of decrease in interest rate	(440)	(385)

(e) Categories of financial instruments

	2014	2013
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	422,724	634,198
Financial liabilities		
Financial liabilities at amortised cost	231,109	499,853

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

(a) Disclosures of level in fair value hierarchy at 31 December 2014:

	Fair value measurements using:	
	2014	**2013**
	Level 3	**Level 3**
Description	*RMB'000*	*RMB'000*
Recurring fair value measurements:		
Investment properties Commercial – PRC	–	38,700

In accordance with HKFRS 5, investment properties with a fair value of RMB38,700,000 classified as assets of disposal group held for sale was stated at fair value. The directors estimated the costs of sale was immaterial.

The highest and best use of the Group's investment properties classified as assets of disposal group held for sale differed from its use at the time because it was part of the Group's restructure plan to dispose of certain assets of the Group.

(b) Reconciliation of assets measured at fair value based on level 3:

	2014 **Investment properties under disposal group held for sale**
	RMB'000
Description	
At 1 January	38,700
Disposal for the year	(38,700)
At 31 December	–

	2013 **Investment properties**
	RMB'000
Description	
At 1 January	38,700
Stated at fair value upon transfer to disposal group held for sale	(38,700)
At 31 December	–

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2013:

The Group's finance manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The finance manager reports directly to the Board of Directors for these fair value measurements. Discussions of valuation process and results are held between the finance manager and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**		**Effect on fair value for increase of inputs**	**Fair value 2013**
			RMB		*RMB'000*
Investment properties	Market comparable approach	Price per square metre	874	Increase	38,700

During the two years, there were no changes in the valuation techniques used.

7. TURNOVER

Turnover from continuing operations represents the aggregate of the sale proceeds of goods sold and the income from provision of online advertising services during the year less discounts and sales related tax. An analysis is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Sales of goods	449,249	392,591
Provision of online advertising services	–	10
	449,249	392,601

8. OTHER INCOME

	2014	**2013**
	RMB'000	*RMB'000*
Continuing operations		
Interest income	1,425	11,029
Rental income	490	486
Gain on disposal of associates *(note 24)*	583	–
Sundry income	2,080	1,538
	4,578	13,053

9. SEGMENT INFORMATION

The Group has two operating segments as follows:

– production and sale of fire engines; and
– production and sale of fire prevention and fighting equipment.

The Group's operating 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 disposed of the entire equity interests it held in the subsidiaries engaged in trading of fire engines and firefighting and rescue equipment and operation of a guest house during the year. Besides, the Group will cease to engage in the provision of installation and maintenance of fire prevention and fighting systems services upon completion of the Disposal of a group of subsidiaries pursuant to the Disposal agreement entered into in February 2015. The operations concerned have been classified as discontinued operations (note 14) for presentation in the consolidated financial statements for the current year and did not constitute reportable segments.

The Group's other operating segment refers to the provision of online advertising services which does not meet any of the quantitative thresholds for determining a reportable segment. The information of this other business unit is included in the "Others" column.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, gain on disposal of associates, impairment loss on investments in associates, share of losses of associates, share of profit of a joint venture, income tax expense and finance costs. Segment assets do not include investments in associates, amounts due from associates, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings and unallocated other payables. Assets of the disposal group held for sale and the liabilities directly associated with assets of disposal group held for sale are also separately disclosed.

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

Information about reportable segment profit or loss, assets and liabilities from continuing operations:

	Production and sale of fire engines	**Production and sale of fire prevention and fighting equipment**	**Others**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2014					
TURNOVER					
External sales	341,055	108,194	–	–	449,249
Inter-segment sales	–	13,832	–	(13,832)	–
Total	341,055	122,026	–	(13,832)	449,249
RESULTS					
Segment profit/(loss)	10,629	4,655	(15)		15,269
Interest income					1,425
Gain on disposal of associates					583
Unallocated corporate expenses					(19,961)
Share of losses of associates					(208)
Finance costs					(5,865)
Loss before tax					(8,757)
Income tax expense					(5,475)
Loss for the year from continuing operations					(14,232)
At 31 December 2014					
ASSETS					
Segment assets	578,809	119,014	–		697,823
Investments in associates					99
Amounts due from associates					1,083
Pledged bank deposits					8,369
Bank and cash balances					164,002
Unallocated other receivables					41,309
					912,685
Assets of disposal group held for sale					411,573
					1,324,258

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Segment liabilities	196,949	46,820	247		244,016
Current tax liabilities					2,501
Bank borrowings					100,000
Unallocated other payables					13,009
					359,526
Liabilities directly associated with assets of disposal group held for sale					361,573
					721,099
OTHER INFORMATION					
Additions to non-current assets	931	2,589	–		3,520
Allowance/(reversal of allowance) for bad and doubtful debts	297	(83)	–		214
Allowance for obsolete and slow moving inventories	729	–	–		729
Depreciation and amortisation	12,853	4,174	17		17,044
Impairment loss on property, plant and equipment	–	128	–		128
Impairment loss on prepayments, deposits and other receivables	–	95	–		95
Loss on disposal of property, plant and equipment	6	5	–		11
Obsolete stock written off	–	100	–		100
Unrecoverable prepayments, deposits and other receivables written off	–	–	2,000		2,000

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2013					
TURNOVER					
External sales	273,876	118,715	10	–	392,601
Inter-segment sales	–	8,671	–	(8,671)	–
Total	273,876	127,386	10	(8,671)	392,601
RESULTS					
Segment profit/(loss)	13,838	9,108	(154)		22,792
Interest income					11,029
Impairment loss on investments in associates					(782)
Unallocated corporate expenses					(10,539)
Share of losses of associates					(12,515)
Share of profit of a joint venture					1,167
Finance costs					(5,260)
Profit before tax					5,892
Income tax expense					(7,821)
Loss for the year from continuing operations					(1,929)
At 31 December 2013					
ASSETS					
Segment assets	481,914	157,792	–		639,706
Investments in associates					3,209
Amounts due from associates					1,103
Pledged bank deposits					9,325
Bank and cash balances					116,993
Unallocated other receivables					10,378
					780,714
Assets of disposal group held for sale					77,820
Assets relating to discontinued operations					829,089
					1,687,623

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Segment liabilities	122,538	56,178	250		178,966
Current tax liabilities					5,156
Bank borrowings					80,000
Unallocated other payables					3,315
					267,437
Liabilities directly associated with assets of disposal group held for sale					34,104
Liabilities relating to discontinued operations					300,986
					602,527
OTHER INFORMATION					
Additions to non-current assets	599	3,994	–		4,593
(Reversal of allowance)/allowance for bad and doubtful debts	(1,439)	(2,708)	1		(4,146)
Depreciation and amortisation	11,806	5,166	21		16,993
Loss on disposal of property, plant and equipment	16	–	23		39

Geographical information:

	Revenue		Non-current assets	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC	449,249	392,601	244,240	262,706
Others	–	–	16	32
	449,249	392,601	244,256	262,738

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2014 and 2013.

10. OTHER EXPENSES

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Impairment loss on investments in associates	–	782
Impairment loss on property, plant and equipment	128	–
Impairment loss on prepayments, deposits and other receivables	95	–
	223	782

11. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	5,865	5,260

12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	2014	2013
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	5,518	7,735
(Over)/under-provision in prior years	(43)	86
	5,475	7,821

No provision for Hong Kong Profits Tax has been made for 2014 and 2013 as the relevant group entities had no assessable profits for both years.

Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

In accordance with the enterprise income tax laws in the PRC, the statutory tax rate for PRC operations is 25% from 1 January 2008. However, certain subsidiaries of the Group are qualified as High and New Technology Enterprises and are entitled to reduction in the PRC statutory income tax rate. The relevant tax rates for the subsidiaries of the Group in the PRC range from 15% to 25% (2013: 15% to 25%).

The reconciliation between the income tax expense and (loss)/profit before tax at applicable tax rates is as follows:

	2014	2013
	RMB'000	*RMB'000*
(Loss)/profit before tax (from continuing operations)	(8,757)	5,892
Tax at the PRC Enterprise Income Tax rate of 25% (2013: 25%)	(2,189)	1,473
Tax effect of income that is not taxable	(398)	(276)
Tax effect of expenses that are not deductible	281	486
Tax effect of temporary differences not recognised	6,480	5,966
Tax effect of share of results of associates and a joint venture	52	2,837
Tax effect attributable to tax concessions	(3,687)	(5,165)
Tax effect of tax losses not recognised	4,436	1,921
Tax effect of utilisation of tax losses not previously recognised	(101)	–
(Over)/under-provision in prior years	(43)	86
Effect of different tax rates of subsidiaries	644	493
Income tax expense (relating to continuing operations)	5,475	7,821

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

	2014	2013
	RMB'000	*RMB'000*
Allowance/(reversal of allowance) for bad and doubtful debts	214	(4,146)
Allowance for obsolete and slow moving inventories	729	–
Amortisation of prepaid land lease payments	726	726
Auditor's remuneration	1,395	1,386
Cost of inventories sold *(note (i))*	374,390	320,790
Depreciation of property, plant and equipment	16,318	16,267
Gain on disposal of associates *(note 24)*	(583)	–
Impairment loss on investments in associates (included in other expenses)	–	782
Impairment loss on property, plant and equipment (included in other expenses)	128	–
Impairment loss on prepayments, deposits and other receivables (included in other expenses)	95	–
Loss on disposal of a joint venture	–	1,123
Loss on disposal of property, plant and equipment	11	39
Net foreign exchange loss	286	1,285
Obsolete stock written off	100	–
Operating lease charges in respect of rented premises	622	445
Research and development expenditure *(note (ii))*	16,606	17,922
Unrecoverable prepayments, deposits and other receivables written off	2,000	–
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	38,796	38,402
Retirement benefit scheme contributions	8,497	6,116
	47,293	44,518

Notes: (i) Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and operating lease charges of approximately RMB34,016,000 (2013: RMB33,043,000) which are also included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB5,234,000 (2013: RMB5,518,000) which are also included in the amounts disclosed separately above.

14. DISCONTINUED OPERATIONS

During the year, the Group has completed the disposal of the entire equity interests it held in the following three subsidiaries:

– Tung Shing Trade development Company Limited which was engaged in the trading of fire engines and firefighting and rescue equipment;
– Chengdu Allied Best Hotel Co., Ltd. which was engaged in the operation of a guest house; and
– Fujian Asean United Aquatic Products Investment Management Co., Ltd. which was engaged in the production and sale of fire prevention and fighting equipment.

On 27 February 2015, the Group entered into the Disposal agreement to dispose of a group of subsidiaries (as disclosed in note 43). Pursuant to the Disposal agreement, the Group has conditionally agreed to sell, and the purchaser has agreed to purchase, the entire equity interests in the following subsidiaries, which are mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services.

– Loyal Asset Investments Holdings Limited ("Loyal Asset");
– Fuzhou Wanyou Fire Equipment Co., Ltd. ("Fuzhou Wanyou");
– Wanyou Fire Engineering Company Limited ("Wanyou Engineering"); and
– Chuanxiao Fire Engineering Company Limited ("Chuanxiao Engineering")

The Group will cease to provide the installation and maintenance services upon completion of the Disposal. The assets and liabilities of the subsidiaries to be disposed of have been classified as held for disposal at end of the year (as disclosed in note 30).

As the disposal of the above subsidiaries, whether completed already or to be carried out, constitute a discontinuance of major lines of business, the profit or loss of the respective subsidiaries have been classified as discontinued operations and disclosed separately as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Loss for the year from discontinued operations:		
Turnover	397,579	444,211
Cost of services	(376,628)	(424,392)
Gross profit	20,951	19,819
Other income	5,854	3,899
Selling and distribution costs	–	(2,102)
Administrative expenses	(171,672)	(143,509)
Other expenses	(337,235)	(33,242)
Finance costs	–	(206)
Loss before tax	(482,102)	(155,341)
Income tax expense	(5,705)	(4,460)
Loss for the year from discontinued operations	(487,807)	(159,801)
Loss for the year from discontinued operations attributable to:		
Owners of the Company	(487,979)	(145,363)
Non-controlling interests	172	(14,438)
	(487,807)	(159,801)

Included in the turnover and loss for the year from discontinued operations were turnover and loss generated by the installation and maintenance businesses amounted to RMB397,579,000 (2013: RMB426,212,000) and RMB492,024,000 (2013: RMB124,946,000) respectively.

	2014 RMB'000	2013 RMB'000
Loss for the year from discontinued operations include the following:		
Allowance for bad and doubtful debts	163,226	121,761
Allowance for obsolete and slow moving inventories	–	1,745
Amortisation of prepaid land lease payments	–	13
Costs of inventories sold	–	11,623
Depreciation for property, plant and equipment	363	4,983
Gain on disposal of subsidiaries *(note 37)*	(2,461)	–
Impairment loss on amounts due from contract customers	312,322	–
Impairment loss on prepayments, deposits and other receivables	22,877	–
Impairment loss on goodwill	–	8,618
Impairment loss on property, plant and equipment	2,036	24,624
Loss on disposal of property, plant and equipment	40	27
Net foreign exchange loss/(gain)	24	(1,172)
Obsolete stock written off	–	249
Operating lease charges in respect of rented premises	103	2,652
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	3,139	4,864
Retirement benefit scheme contributions	968	1,160
	4,107	6,024
Cash flows from discontinued operations:		
Net cash outflows from operating activities	(931)	(11,493)
Net cash (outflows)/inflows from investing activities	(9,114)	23,421
Net cash inflows from financing activities	–	201
Net cash (outflows)/inflows	(10,045)	12,129

15. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

	2014					2013				
	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note (a))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (a))*	*RMB'000*	*RMB'000*
Executive directors										
Mr. Jiang Xiong	–	1,119	–	–	1,119	–	1,110	–	–	1,110
Mr. Jiang Qing	–	995	–	–	995	–	987	–	–	987
Mr. Wang De Feng	143	297	–	30	470	143	279	–	30	452
Ms. Weng Xiu Xia	143	78	–	13	234	143	78	–	13	234
Mr. Hu Yong	143	309	–	27	479	143	287	–	26	456
Ms. Zhang Hai Yan *(note b)*	–	–	–	–	–	137	8	–	1	146
	429	2,798	–	70	3,297	566	2,749	–	70	3,385
Independent non-executive directors										
Dr. Loke Yu	143	–	–	–	143	143	–	–	–	143
Mr. Heng Ja Wei	143	–	–	–	143	143	–	–	–	143
Ms. Sun Guo Li	143	–	–	–	143	143	–	–	–	143
	429	–	–	–	429	429	–	–	–	429
	858	2,798	–	70	3,726	995	2,749	–	70	3,814

Notes: (a) The discretionary bonus is determined on the basis of performance of the Group but in any event the discretionary bonus for all executive directors shall not exceed 10% of the audited consolidated net profit after tax and non-controlling interests.

(b) Ms. Zhang Hai Yan resigned on 17 December 2013.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and there was no arrangement under which a director waived or agreed to waive any emoluments (2013: Nil).

16. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group during the year included three (2013: three) directors, whose emoluments are included in the note 15 to the financial statements above. The emoluments of the remaining two (2013: two) individuals are set out below:

	2014	**2013**
	RMB'000	*RMB'000*
Salaries and other benefits	1,819	1,806
Retirement benefit scheme contributions	27	29
	1,846	1,835

The emoluments fell within the following bands:

	Number of individuals	
	2014	**2013**
Nil to HKD1,000,000 (equivalent to RMB801,300)	1	1
HKD1,000,001 to HKD1,500,000 (equivalent to RMB801,301 to RMB1,201,950)	1	1
	2	2

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

17. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately RMB26,663,000 (2013: RMB5,805,000) which has been dealt with in the financial statements of the Company.

18. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

19. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	From continuing and discontinued operations	
	2014	**2013**
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company	503,854	152,871
	'000	*'000*
Weighted average number of ordinary shares	2,855,000	2,855,000

There were no dilutive potential ordinary shares in relation to the share options for both years ended 31 December 2014 and 2013. All the share options issued have been expired during 2014. For 2013, the average market price of the shares of the Company was lower than the exercise price of the share options.

	From continuing operations		From discontinued operations	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss for the year attributable to owners of the Company	15,875	7,508	487,979	145,363

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same. The basic and diluted loss per share from discontinued operations for 2014 are RMB17.09 cents (2013: RMB5.09 cents).

20. PROPERTY, PLANT AND EQUIPMENT

	Group								
	Buildings	Plant and equipment	Tooling and moulds	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost									
At 1 January 2013	294,256	57,750	36,270	3,204	2,345	11,747	14,771	276	420,619
Additions	2,858	510	–	61	208	45	488	–	4,170
Transfer to disposal group held for sale	(29,837)	(36,562)	(36,270)	(526)	(285)	(1,782)	(14,150)	–	(119,412)
Disposals	–	(11)	–	(174)	(191)	(660)	–	–	(1,036)
At 31 December 2013 and 1 January 2014	267,277	21,687	–	2,565	2,077	9,350	1,109	276	304,341
Additions	–	204	–	444	27	1,864	–	–	2,539
Reclassification	–	–	–	276	–	–	–	(276)	–
Disposals	–	–	–	(7)	(4)	(733)	–	–	(744)
At 31 December 2014	267,277	21,891	–	3,278	2,100	10,481	1,109	–	306,136
Accumulated depreciation and impairment									
At 1 January 2013	59,416	37,304	36,270	1,453	1,288	7,009	3,494	–	146,234
Charge for the year	15,402	3,064	–	449	307	623	1,405	–	21,250
Impairment loss	11,874	3,134	–	297	73	32	9,214	–	24,624
Transfer to disposal group held for sale	(19,842)	(33,780)	(36,270)	(517)	(247)	(1,634)	(13,370)	–	(105,660)
Disposals	–	(11)	–	(164)	(171)	(614)	–	–	(960)
At 31 December 2013 and 1 January 2014	66,850	9,711	–	1,518	1,250	5,416	743	–	85,488
Charge for the year	13,368	1,932	–	359	213	714	95	–	16,681
Impairment loss	–	79	–	28	32	1,763	262	–	2,164
Disposals	–	–	–	(6)	(4)	(503)	–	–	(513)
At 31 December 2014	80,218	11,722	–	1,899	1,491	7,390	1,100	–	103,820
Carrying amount									
At 31 December 2014	187,059	10,169	–	1,379	609	3,091	9	–	202,316
At 31 December 2013	200,427	11,976	–	1,047	827	3,934	366	276	218,853

At 31 December 2014, the Group was in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB87,573,000 (2013: RMB93,839,000).

21. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent payments for land use rights certificates in the PRC under medium-term leases.

At 31 December 2014, the Group was in the process of applying for the land use rights certificates in respect of land leases with carrying amount of RMB21,381,000 (2013: RMB21,867,000).

22. GOODWILL

	Group
	RMB'000
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	45,348
Accumulated impairment losses	
At 1 January 2013	29,100
Impairment loss recognised in 2013	8,618
At 31 December 2013, 1 January 2014 and 31 December 2014	37,718
Carrying amount	
At 31 December 2014	7,630
At 31 December 2013	7,630

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating unit ("CGU"). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2014 and 2013 is allocated as follows:

	2014	2013
	RMB'000	*RMB'000*
Production and sale of fire engines	7,630	7,630

The recoverable amount of the above CGU has been determined on the basis of its value in use calculations using discounted cash flow method. The cash flow projections was based on financial budgets approved by management covering a five-year period, and discount rates at 13% (2013: 13%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 1% (2013: 1%). This growth rate is based on the forecasts of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGU's historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amounts.

During the year 2013, the Group reassessed the recoverable amount of the goodwill and determined that impairment on goodwill associated with the production and sale of fire prevention and fighting equipment were required. It was related to a subsidiary engaged in the production and sale of emergency lightings and fire alarm systems. The operation of the subsidiary had been stopped and was not expected to be resumed.

23. INVESTMENTS IN SUBSIDIARIES

	Company 2014	Company 2013
	RMB'000	*RMB'000*
Unlisted investments, at cost	187,567	187,567

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from a subsidiary with an outstanding balance of RMB22,717,000 at 31 December 2013 which was charged for an interest at 6.68% per annum. This subsidiary had been disposed of in 2014.

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name/type of legal entity	**Place of incorporation**	**Issued and paid up capital**	**Percentage of ownership interest attributable to the Company**	**Principal activities**
Wang Sing Technology Limited/ limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100% *(note (i))*	Investment holding
Allied Best Holdings Limited/ limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
萃聯(中國)消防設備製造有限公司 Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,000,000	100%	Production and sale of fire prevention and fighting equipment
川消消防工程有限公司 Chuanxiao Fire Engineering Company Limited/limited liability enterprise	PRC	Registered capital of RMB51,000,000	100%	Provision of fire prevention and fighting system installation services and maintenance services
福州市萬友消防設備有限公司 Fuzhou Wanyou Fire Equipment Co., Ltd./ wholly foreign-owned enterprise	PRC	Registered capital of HKD20,000,000	100%	Production and sale of fire prevention and fighting equipment
Loyal Asset Investment Holdings Limited/ limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
四川森田消防裝備製造有限公司 Sichuan Morita Fire Safety Appliances Co., Ltd. ("Sichuan Morita")/ sino-foreign equity joint venture	PRC	Registered capital of RMB80,640,000	75%	Production and sale of fire engines and fire prevention and fighting equipment
萬友消防工程集團有限公司 Wanyou Fire Engineering Group Company Limited/ limited liability enterprise	PRC	Registered capital of RMB50,000,000	100%	Provision of fire prevention and fighting system installation services and maintenance services
四川萬山福特種消防裝備制造有限公司 Sichuan Wan Shan Fu Special Fire Equipment Manufacturing Co., Ltd./ limited liability enterprise	PRC	Registered capital of RMB5,000,000	100%	Production and sale of fire prevention and fighting equipment

Note: (i) Shares held directly by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The following table shows information of a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Sichuan Morita	
	2014	**2013**
Principal place of business/Country of incorporation	PRC	PRC
% of ownership interest held by NCI	25%	25%
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	13,452	14,836
Current assets	491,928	396,905
Current liabilities	(285,572)	(198,505)
Net assets	219,808	213,236
Accumulated NCI	54,723	53,079
Year ended 31 December:		
Revenue	341,055	273,876
Profit	6,573	22,319
Total comprehensive income	6,573	22,319
Profit allocated to NCI	1,644	5,580
Net cash used in operating activities	(7,502)	(6,970)
Net cash generated from/(used in) investing activities	10,566	(12,335)
Net cash generated from/(used in) financing activities	15,000	(5,000)
Net increase/(decrease) in cash and cash equivalents	18,064	(24,305)

At 31 December 2014, the bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to RMB170,688,000 (2013: RMB128,375,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. INVESTMENTS IN ASSOCIATES

	Group 2014	Group 2013
	RMB'000	*RMB'000*
Unlisted investments:		
Share of net assets	42,732	56,350
Goodwill	1,231	6,540
	43,963	62,890
Impairment losses *(note)*	(43,864)	(59,681)
	99	3,209

Note: The change in the balance of the impairment losses represented the disposal of certain associates during the year. No impairment loss was made for the year.

Details of the Group's associates at 31 December 2014 are as follows:

Name/type of legal entity	Place of incorporation	Paid up registered capital	Percentage of ownership interest	Principal activities
北京特威特國際環保科技有限公司 Beijing TWT International Technical Co., Ltd./limited liability enterprise	PRC	RMB5,000,000	45%	Production and sale of fire suppression foam
四川神劍消防科技有限公司 Sichuan Shenjian Fire Technology Co., Ltd., ("Sichuan Shenjian")/limited liability enterprise	PRC	RMB5,000,000	40%	Production and sale of fire prevention and fighting equipment

The following table shows information of the associate that was material to the Group for 2013. The associate was accounted for in the consolidated financial statements using the equity method. The summarised financial information presented was based on the HKFRS financial statements of the associate. The associate was disposed of in 2014. The directors do not consider the remaining associates are material to the Group for 2014 and 2013.

Name of the associate	:	福州華安消防工程技術有限公司
	:	Fuzhou Huaan Fire Engineering Co., Ltd ("Fuzhou Huaan")
Principal place of business/ Place of incorporation	:	PRC
Principal activities	:	Provision of the fire prevention and fighting system installation services and maintenance service
Percentage of ownership interests	:	40%

	Fuzhou Huaan
	2013
	RMB'000
At 31 December:	
Non-current assets	288
Current assets	11,339
Current liabilities	(15,084)
Net liabilities	(3,457)
Group's share of net assets	–
Goodwill	2,997
Impairment loss	(2,997)
Group's share of carrying amount of interests	–
Year ended 31 December:	
Revenue	(29,418)
Loss from continuing operations and total comprehensive income	32,592
Loss not recognised by the Group	1,383

The following table shows, in aggregate the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2014	2013
	RMB'000	*RMB'000*
At 31 December:		
Carrying amounts of interests	99	3,209
Year ended 31 December:		
Loss from continuing operations	208	861
Total comprehensive income	208	861

The Group has not recognised loss for the year amounting to RMB84,000 (2013: Nil) for Sichuan Shenjian. The accumulated losses not recognised were RMB84,000 (2013: Nil).

At 31 December 2014, the bank and cash balances of the Group's associates in the PRC denominated in Renminbi amounted to RMB1,078,000 (2013: RMB7,540,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

During the year, the Group disposed of all the equity interests held in the following associates:

Name	Percentage of ownership interest	Principal activities
福州華安消防工程技術有限公司 Fuzhou Huaan Fire Engineering Co., Ltd.	40%	Provision of fire prevention and fighting system installation services and maintenance services
永利高環球有限公司 Profit Top Global Limited	49%	Investment holding and development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
上海凱德消防設備有限公司 Shanghai Kidde Fire Fighting Co., Ltd.	30%	Production and sale of fire prevention and fighting equipment

The transactions have resulted in the recognition of a gain in profit or loss, calculated as follows:

	2014
	RMB'000
Proceed of disposal	3,485
Less: carrying amount of the investments in associates at date of disposal	(2,902)
Gain on disposal of associates	583

25. INVENTORIES

Inventories represent fire engines and fire prevention and fighting equipment.

	Group 2014	2013
	RMB'000	*RMB'000*
Raw materials	32,635	53,763
Work in progress	38,700	44,271
Finished goods	97,367	56,166
	168,702	154,200

The above inventories are stated at lower of cost and net realisable value.

26. TRADE AND BILLS RECEIVABLES

	Group 2014	2013
	RMB'000	*RMB'000*
Trade and bills receivables	227,694	706,967
Less: Allowance for bad and doubtful debts	(17,588)	(289,046)
	210,106	417,921

The Group allows an average credit period of 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The aging analysis of trade and bills receivables, including those classified as part of the disposal group held for sale, based on the invoice date, net of allowance for bad and doubtful debts, is as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
0 – 90 days	92,479	160,797
91 – 180 days	103,551	55,133
181 – 360 days	87,120	57,279
Over 360 days	51,569	144,712
	334,719	417,921

Apart from trade and bills receivables amounted to RMB18,000 (2013: Nil) that was denominated in EUR, the carrying amount of the Group's trade and bills receivables at 31 December 2014 and 2013, including those classified as part of the disposal group held for sale were all denominated in Renminbi.

As at 31 December 2014, trade and bills receivables, including those classified as part of the disposal group held for sale, of RMB174,663,000 (2013: RMB191,333,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade and bills receivables is as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
91 – 180 days	35,974	17,176
181 – 360 days	87,120	57,279
Over 360 days	51,569	116,878
	174,663	191,333

Reconciliation of allowance for bad and doubtful debts:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
At 1 January	289,046	171,776
Allowance for the year	163,440	117,615
Amounts written off	(270)	–
Disposal of subsidiaries *(note 37)*	(30,943)	–
Classified as disposal group held for sale *(note 30)*	(404,155)	–
Exchange differences	470	(345)
At 31 December	17,588	289,046

The management closely monitors the credit quality of the trade and bills receivables and considers the trade and bills receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Group, trade and bills receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality and loss event of these customers. Allowance for bad and doubtful debts recognised for 2014 and 2013 were on trade and bills receivables which were either aged over two years or customers which had either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

27. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	Group 2013 *RMB'000*
Contract costs incurred plus profits recognised less recognised losses	1,640,327
Less: Progress billings	(1,105,576)
	534,751
Comprising:	
Amounts due from contract customers	547,310
Amounts due to contract customers	(12,559)
	534,751

The carrying value of the amounts due from/(to) contract customers at 31 December 2014 have been classified to assets of disposal group held for sale and liabilities directly associated with assets of disposal group held for sale respectively (note 30).

28. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and are due for settlement within 12 months.

29. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 1.35% (2013: Nil to 1.35%) per annum.

The pledged bank deposits are mainly to secure banking facilities granted to the Group and carry interest at 0.35% (2013: 0.35%) per annum.

Conversion of RMB into foreign currencies in the PRC is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. DISPOSAL GROUP HELD FOR SALE

As disclosed in note 14, the Group entered into the Disposal agreement on 27 February 2015 to dispose of a group of subsidiaries: Loyal Asset, Fuzhou Wanyou, Wanyou Engineering and Chuanxiao Engineering. Loyal Asset is the holding company of the other three subsidiaries to be disposed of. Fuzhou Wanyou is engaged in the production and sale of fire prevention and fighting equipment. The production line of which, however, has ceased to operate at the end of 2012 and since then, it generated minimal amount of revenue only from clearance sale. Both Wanyou Engineering and Chuanxiao Engineering are engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The Group will cease to provide such services upon completion of the Disposal. Subject to the satisfaction of certain conditions precedent, the Disposal is expected to be completed in the first half of 2015.

The consideration for the Disposal is expected to be RMB50,000,000. The net assets value of the four subsidiaries to be disposed of have been impaired with reference to the consideration and accordingly, impairment losses of RMB500,746,000 have been recognised for the year. The assets and liabilities of the subsidiaries to be disposed of have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2014 are as follows:

	2014
	RMB'000
Retention receivables	329
Trade and bills receivables	528,768
Allowance for bad and doubtful debts	(404,155)
Amounts due from contract customers	247,926
Pledged bank deposits	690
Bank and cash balances	38,015
Assets of disposal group held for sale	411,573
Trade and other payables	(333,993)
Amounts due to contract customers	(21,242)
Current tax liabilities	(2,105)
Deferred tax liabilities *(note 33)*	(4,233)
Liabilities directly associated with assets of disposal group held for sale	(361,573)
Net assets of disposal group held for sale	50,000

The disposal group held for sale at 31 December 2013 was in respect of the disposals of certain subsidiaries and associates pursuant to the resolution of the Board of Directors of the Company on 30 December 2013. The disposals of all the subsidiaries and associates concerned have been completed during 2014. The calculation of the gain on disposal have been disclosed in note 37.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2013 are as follows:

	2013
	RMB'000
Property, plant and equipment	13,752
Investment properties	38,700
Prepaid land lease payments	513
Bank and cash balances	24,855
Investments in associates	–
Assets of disposal group held for sale	77,820
Trade and other payables	(28,020)
Amounts due to non-controlling interests	(6,084)
Liabilities directly associated with assets of disposal group held for sale	(34,104)
Net assets of disposal group held for sale	43,716

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	84,442	102,006	–	–
Accrued charges	43,665	292,694	3,356	3,272
Receipts in advance	125,916	46,539	–	–
Value added tax, sales tax and other levies	3,002	25,153	–	–
	257,025	466,392	3,356	3,272

The aging analysis of trade payables, including those classified as part of the disposal group held for sale, based on the date of receipt of goods, is as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
0 – 30 days	37,678	53,752
31 – 60 days	13,754	13,042
61 – 90 days	14,239	7,473
Over 90 days	35,826	30,268
	101,497	104,535

The carrying amount of the Group's trade payables, including those classified as part of the disposal group held for sale, are denominated in the following currencies:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
USD	–	6
EUR	–	219
RMB	101,497	104,310
	101,497	104,535

32. BANK BORROWINGS

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Bank loans, unsecured	100,000	80,000

At 31 December 2014 and 2013, the Group's bank borrowings were all denominated in Renminbi and were due for settlement within 12 months (shown under current liabilities).

The bank loans were guaranteed by certain subsidiaries of the Company.

The average interest rates at 31 December are as follows:

	2014	**2013**
Bank loans	6.67%	6.79%

The interest rates for the bank loans outstanding at 31 December 2014 were arranged at 110% to 116% (2013: 110% to 116%) of the benchmark interest rate as stipulated by the People's Bank of China and expose the Group to cash flow interest rate risk.

33. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised, and movements thereon:

	Profit recognition of installation contracts
	RMB'000
	(note)
At 1 January 2013	2,381
Charge to the profit or loss for the year	311
At 31 December 2013 and 1 January 2014	2,692
Charge to the profit or loss for the year	1,541
Classified as liabilities directly associated with assets of disposal group held for sale *(note 30)*	(4,233)
At 31 December 2014	–

Note: The amount represents the temporary differences arising on the profit recognition of installation contracts between HKFRSs, in which revenue and costs of installation contracts are recognised in the consolidated statement of profit or loss and other comprehensive income by reference to the stage of completion of the contract activities, and the taxable income of the PRC subsidiaries which recognise revenue of installation contracts upon completion.

At 31 December 2014, the Group has unused tax losses of RMB84,853,000 (2013: RMB101,700,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB5,743,000 that will expire from 2015 to 2019 (2013: RMB31,699,000 expire from 2014 to 2018). Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB290,048,000 (2013: RMB252,716,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

34. SHARE CAPITAL

	Number of shares	**Amount**
		HKD'000
Authorised:		
Shares of HKD0.01 (2013: HKD0.01) each		
At 1 January 2013, 31 December 2013,		
1 January 2014 and 31 December 2014	10,000,000,000	100,000
Issued and fully paid:		
Shares of HKD0.01 (2013: HKD0.01) each		
At 1 January 2013, 31 December 2013,		
1 January 2014 and 31 December 2014	2,855,000,000	28,550

	2014	**2013**
	RMB'000	*RMB'000*
Shown in the consolidated financial statements as	30,168	30,168

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which are mainly the bank borrowings disclosed in note 32 to the financial statements, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors review the capital structure on a regular basis. As part of this review, the directors take into consideration the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the raising of new debts or the repayment of existing debts.

The externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of its issued shares throughout the year. The Company was not informed of any change in its shareholdings that would lead to its non-compliance with the 25% limit throughout the year.

35. SHARE OPTION SCHEME

The shareholders of the Company adopted a share option scheme on 29 May 2009 (the "Scheme") in replacement of the old share option scheme, which had been in effect before the Company transferred the listing of its shares from GEM to Main Board of the Stock Exchange on 6 October 2008. Options granted but unexercised under the old share option scheme remained valid and exercisable with their terms of issue. The Scheme shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

Details of the options granted are as follows:

					Number of shares issuable under the options		
Grantee	**Capacity**	**Date of grant**	**Exercisable period**	**Exercise price**	**Granted and outstanding at 1 January 2013, 31 December 2013 and 1 January 2014**	**Expired during the year**	**Granted and outstanding at 31 December 2014**
				HKD			
Mr. Jiang Qing	Director	25 May 2004	25 May 2004 to 24 May 2014	0.44	20,000,000	20,000,000	–

All outstanding options granted by the Company have been expired during 2014.

Save as disclosed above, there were no options granted, exercised, cancelled or lapsed during the year ended 31 December 2014 (2013: Nil).

36. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium *RMB'000*	Capital reserve *RMB'000* *(Note (ii))*	Exchange reserve *RMB'000* *(Note (vi))*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2013	646,363	170,607	(3,342)	(114,208)	699,420
Total comprehensive income for the year	–	–	–	(5,805)	(5,805)
At 31 December 2013 and 1 January 2014	646,363	170,607	(3,342)	(120,013)	693,615
Total comprehensive income for the year	–	–	–	(26,663)	(26,663)
At 31 December 2014	646,363	170,607	(3,342)	(146,676)	666,952

(c) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

(ii) Capital reserve

The capital reserve represents the share premium arising from the issue of shares of a subsidiary to the investors under the group reorganisation.

(iii) Statutory surplus reserve

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate 10% or an amount to be determined by the directors of their respective profits after tax in accordance with the relevant PRC accounting rules and financial regulations before any distribution of dividends to equity holders each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital. In normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into capital and expansion of their respective production facilities and operations.

(iv) Statutory public welfare fund

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate from their respective profits after tax at the rate of 5% to 10% or an amount to be determined by the directors to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. The statutory public welfare fund forms part of the equity and is non-distributable other than upon liquidation.

(v) Statutory reserve fund

In accordance with the Law of the PRC on foreign enterprises, wholly foreign-owned enterprises are required to transfer an amount of not less than 10% of their respective profits after tax to the statutory reserve fund, which may be used for making up prior year losses, if any, and for capitalisation into capital.

(vi) Exchange reserve

Group

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(e) to the financial statements.

Company

Exchange reserve of the Company arose from the change of the functional currency of the Company from HKD to RMB in prior years.

37. DISPOSAL OF SUBSIDIARIES

The Group entered into three agreements in March 2014 to dispose of all the equity interests held in the following three subsidiaries:

Name of subsidiary	Percentage of ownership interests held by the Group	Principal activities
成都萃聯商務酒店有限公司 Chengdu Allied Best Hotel Co., Ltd.	60%	Operation of a guest house
福建東盟聯合水產品投資管理有限公司 Fujian Asean United Aquatic Products Investment Management Co., Ltd.	100%	Production and sale of fire prevention and fighting equipment
Tung Shing Trade Development Company Limited	51%	Trading of fire engines and fire fighting and rescue equipment

The net assets of the three subsidiaries disposed of at the date of disposal were as follows:

	2014
	RMB'000
Property, plant and equipment	13,752
Investment properties	38,700
Prepaid land lease payments	513
Trade and bills receivables	30,943
Allowance for bad and doubtful debts	(30,943)
Prepayments, deposits and other receivables	8,078
Bank and cash balances	12,114
Trade and other payables	(27,546)
Amounts due to non-controlling shareholders	(6,189)
Net assets disposed of	39,422
Non-controlling interests	24,900
Release of exchange reserve	(4,473)
	59,849
Gain on disposal of subsidiaries	2,461
Total consideration	62,310
Satisfied by:	
Cash consideration received	21,436
Cash consideration receivable	40,874
	62,310
Net cash inflow arising on disposal:	
Cash consideration received	21,436
Bank and cash balances disposed of	(12,114)
	9,322

38. CAPITAL COMMITMENTS

At 31 December 2014, the Group's capital commitments are as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Property, plant and equipment		
Contracted for but not provided for	17,677	19,306

The Company had no capital commitment at 31 December 2014 (2013: Nil).

39. OPERATING LEASE COMMITMENTS

As lessee

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	451	4,789	442	739
In the second to fifth year inclusive	–	20,816	–	431
After five years	–	13,505	–	–
	451	39,110	442	1,170

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

As lessor

At 31 December 2014, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	282	8,345	–	–
In the second to fifth year inclusive	–	29,949	–	–
After five years	–	17,105	–	–
	282	55,399	–	–

40. RETIREMENT BENEFIT SCHEMES

The group entities operating in the PRC participate in a state-managed retirement benefit plan operated by the government of the PRC. All eligible PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at rates ranging from 18% to 22% (2013: 18% to 22%) of the basic salary of its eligible PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions incurred for the year ended 31 December 2014 amounted to RMB9,388,000 (2013: RMB7,204,000).

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme. During the year ended 31 December 2014, the Group made to the MPF Scheme contributions amounting to RMB77,000 (2013: RMB72,000).

41. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2014	**2013**
	RMB'000	*RMB'000*
Finished goods purchased from associates	5,539	3,946
Finished goods purchased from a joint venture	–	2,576
Finished goods sold to associates	86	82
Interest expenses on amount due to a non-controlling shareholder	–	201
Rental income received from associates	336	336

(b) The key management personnel are the directors. The details of the remuneration paid to them are set out in note 15 to the financial statements.

42. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at 31 December 2014 (2013: Nil).

43. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into the following agreements:

(a) Acquisition

On 27 February 2015, the Group entered into a sales and purchase agreement with a subsidiary of China International Marine Containers (Group) Co., Ltd., ("CIMC") (the "Vendor") to acquire 40% equity interests in Albert Ziegler GmBH ("Ziegler") (the "Acquisition") from CIMC at a consideration of HKD489,428,572. Ziegler is a company incorporated in Germany, it and its subsidiaries are principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting equipment. To settle the consideration, the Company will issue to the Vendor 1,223,571,430 new shares of the Company, which represents 30% of the enlarged issued share capital of the Company. Upon completion of the Acquisition, Zielger will be accounted for as an associate of the Company. Subject to certain conditions precedent, the Acquisition is expected to be completed in the first half of 2015.

(b) Disposal

Also on 27 February 2015, the Group entered into a sales and purchase agreement with a third party independent of the Company and its connected persons (as defined in the Listing Rules) to dispose of a group of subsidiaries (the "Disposal") at a cash consideration of RMB50,000,000. The subsidiaries concerned are mainly engaged in the provision of installation and maintenance of fire prevention and fighting system services. Subject to certain conditions precedent, the Disposal is expected to be completed in the first half of 2015.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2015.

The audited consolidated financial statements of CFE Group for the year ended 31 December 2015 are set out as below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

		2015	2014
	Note	*RMB'000*	*RMB'000*
Continuing operations			
Revenue	8	565,178	449,249
Cost of sales		(453,369)	(374,390)
Gross profit		111,809	74,859
Other income	9	6,889	4,578
Selling and distribution costs		(18,469)	(19,444)
Administrative expenses		(59,663)	(62,454)
Share of profit/(losses) of associates		15,137	(208)
Other expenses	11	–	(223)
Finance costs	12	(4,538)	(5,865)
Profit/(loss) before tax		51,165	(8,757)
Income tax expense	13	(8,136)	(5,475)
Profit/(loss) for the year from continuing operations	14	43,029	(14,232)
Discontinued operations			
Loss for the year from discontinued operations	15	(12,585)	(487,807)
Profit/(loss) for the year		30,444	(502,039)

	Note	2015 RMB'000	2014 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		(493)	(4,473)
Exchange differences on translating foreign operations		5,013	(325)
Other comprehensive income for the year, net of tax		4,520	(4,798)
Total comprehensive income for the year		34,964	(506,837)
Profit/(loss) for the year attributable to:			
Owners of the Company		18,611	(503,854)
Non-controlling interests		11,833	1,815
		30,444	(502,039)
Total comprehensive income for the year attributable to:			
Owners of the Company		23,131	(508,341)
Non-controlling interests		11,833	1,504
		34,964	(506,837)
Earnings/(loss) per share (RMB cents)	19		
From continuing and discontinued operations			
Basic		0.54	(17.65)
Diluted		0.54	(17.65)
From continuing operations			
Basic		0.91	(0.56)
Diluted		0.91	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	20	192,241	202,316
Prepaid land lease payments	21	33,349	34,211
Goodwill	22	7,630	7,630
Investments in associates	24	419,532	99
		652,752	244,256
Current assets			
Inventories	25	136,715	168,702
Trade and bills receivables	26	272,231	210,106
Prepayments, deposits and other receivables		63,660	115,441
Amounts due from associates	27	75,289	1,083
Prepaid land lease payments	21	794	726
Pledged bank deposits	28	10,726	8,369
Bank and cash balances	28	105,059	164,002
		664,474	668,429
Assets of disposal group held for sale	29	–	411,573
		664,474	1,080,002
Current liabilities			
Trade and other payables	30	265,053	257,025
Bank borrowings	31	40,000	100,000
Current tax liabilities		5,586	2,501
		310,639	359,526
Liabilities directly associated with assets of disposal group held for sale	29	–	361,573
		310,639	721,099
Net current assets		353,835	358,903
NET ASSETS		1,006,587	603,159

	Note	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	33	39,977	30,168
Reserves	35	966,610	518,955
Equity attributable to owners of the Company		1,006,587	549,123
Non-controlling interests		–	54,036
TOTAL EQUITY		1,006,587	603,159

Approved by the Board of Directors on 28 March 2016 and are signed on its behalf by:

Li Yin Hui
Director

Jiang Xiong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000* *(Note 35(b)(i))*	Capital reserve *RMB'000* *(Note 35(b)(ii))*	Statutory surplus reserve *RMB'000* *(Note 35(b)(iii))*	Statutory public welfare fund *RMB'000* *(Note 35(b)(iv))*	Statutory reserve fund *RMB'000* *(Note 35(b)(v))*	Share-based payment reserve *RMB'000* *(Note 35(b)(vi))*	Exchange reserve *RMB'000* *(Note 35(b)(vii))*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	–	(1,531)	184,774	1,057,464	27,632	1,085,096
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(4,487)	(503,854)	(508,341)	1,504	(506,837)
Disposal of subsidiaries *(note 38)*	–	–	–	30,943	(5,250)	(6,338)	(82,427)	–	–	63,072	–	24,900	24,900
Total comprehensive income and changes in equity for the year	–	–	–	30,943	(5,250)	(6,338)	(82,427)	–	(4,487)	(440,782)	(508,341)	26,404	(481,937)
At 31 December 2014	30,168	646,363	(6,692)	88,783	32,803	19,724	–	–	(6,018)	(256,008)	549,123	54,036	603,159
At 1 January 2015	30,168	646,363	(6,692)	88,783	32,803	19,724	–	–	(6,018)	(256,008)	549,123	54,036	603,159
Total comprehensive income for the year	–	–	–	–	–	–	–	–	4,520	18,611	23,131	11,833	34,964
Issue of shares for acquisition of an associate *(note 24)*	9,809	461,040	–	–	–	–	–	–	–	–	470,849	–	470,849
Payment of interim dividend out of share premium account *(note 18)*	–	(69,496)	–	–	–	–	–	–	–	–	(69,496)	–	(69,496)
Share-based payments	–	–	–	–	–	–	–	4,111	–	–	4,111	–	4,111
Disposal of subsidiaries (note 38)	–	–	–	–	(32,803)	(19,724)	–	–	–	52,527	–	–	–
Acquisition of non-controlling interests (note 37)	–	–	–	–	–	–	–	–	–	28,869	28,869	(65,869)	(37,000)
Total comprehensive income and changes in equity for the year	9,809	391,544	–	–	(32,803)	(19,724)	–	4,111	4,520	100,007	457,464	(54,036)	403,428
At 31 December 2015	39,977	1,037,907	(6,692)	88,783	–	–	–	4,111	(1,498)	(156,001)	1,006,587	–	1,006,587

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
Continuing operations		51,165	(8,757)
Discontinued operations		(11,237)	(482,102)
		39,928	(490,859)
Adjustments for:			
Allowance for obsolete and slow-moving inventories		116	729
Amortisation of prepaid land lease payments		794	726
Depreciation of property, plant and equipment		10,819	16,681
Gain on disposal of subsidiaries	38	(2,095)	(2,461)
Gain on disposal of associates	24	–	(583)
Impairment loss for bad and doubtful debts		153	163,440
Impairment loss on property, plant and equipment		–	2,164
Impairment loss on amounts due from contract customers		–	312,322
Impairment loss on prepayments, deposits and other receivables		–	22,972
Finance costs		4,538	5,865
Interest income		(2,637)	(1,711)
Loss on disposal of property, plant and equipment		324	51
Obsolete stock written off		–	100
Share-based payments		4,111	–
Unrecoverable amounts due from associates written off		1,268	–
Unrecoverable prepayments, deposits and other receivables written off		–	2,000
Share of (profit)/losses of associates		(15,137)	208

	Note	2015 RMB'000	2014 RMB'000
Operating profit before working capital changes		42,182	31,644
Decrease/(increase) in inventories		31,871	(15,331)
Increase in trade and bills receivables		(71,395)	(72,005)
Decrease/(increase) in amounts due from contract customers		1,267	(12,938)
Decrease/(increase) in prepayments, deposits and other receivables		49,406	(36,598)
(Decrease)/increase in trade and other payables		(11,768)	123,867
Increase in amounts due to contract customers		8,173	8,683
Cash generated from operations		49,736	27,322
Interest paid		(4,538)	(5,865)
Income tax paid		(7,732)	(11,813)
Net cash generated from operating activities		37,466	9,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,232)	(2,539)
Addition of prepaid land lease payments		–	(1,891)
(Increase)/decrease in pledged bank deposits		(1,667)	266
Interest received		2,637	1,711
(Advance to)/repayment from associates		(890)	20
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	38	33,714	9,322
Disposal of associates	24	–	3,485
Proceeds from disposal of property, plant and equipment		153	180
Net cash generated from investing activities		32,715	10,554

	2015	2014
	RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of non-controlling interests	(37,000)	–
New bank loans raised	40,000	105,000
Repayment of bank loans	(100,000)	(85,000)
Dividend paid	(69,496)	–
Net cash (used in)/generated from financing activities	(166,496)	20,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(96,315)	40,198
Effect of foreign exchange rate changes	(643)	64
CASH AND CASH EQUIVALENTS AT 1 JANUARY	202,017	161,755
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	105,059	202,017
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	105,059	164,002
Bank and cash balances included in disposal group held for sale	–	38,015
	105,059	202,017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

China Fire Safety Enterprise Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "PRC") is No. 8 Section I, Xin Hua Road, Chengdu Cross Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, the PRC.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 23 and 24 to the consolidated financial statements respectively.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015.

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. As the Group does not use the revaluation model, there was no effect on its consolidated financial statements.

Amendments to HKAS 19, Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Group has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the amendments had no effect on the Group's consolidated financial statements.

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 3 (Annual Improvements to HKFRSs 2011-2013 Cycle)

The amendment clarifies that HKFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. This had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2011-2013 Cycle)

The amendment clarifies that the portfolio exception in HKFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of HKAS 39/HKFRS 9. This had no effect on the Group's consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[4] Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties which was carried at its fair value and assets of disposal group held for sale which was carried at the lower of carrying amount and fair value less costs of disposal as at 31 December 2014.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in associates is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the Company and the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this 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 at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary terms that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the term of the lease or 20 – 30 years
Plant and equipment	10% – 33%
Furniture and fixtures	10% – 33%
Computers	20% – 33%
Motor vehicles	10% – 25%
Leasehold improvements	Over the shorter of the term of the lease or 20%

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

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(g) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on straight-line basis over the remaining term of lease.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

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

– Management intends to complete the intangible asset and use or sell it.

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overheads, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of an installation contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. The accounting policy for contract revenue is stated in (t) below.

Installation contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Amounts due from contract customers". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Amounts due to contract customers". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the statement of financial position under "Trade and other payables".

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(l) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as to loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(m) Trade, bills and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bill and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(n) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

When the outcome of an installation contract can be estimated reliably, revenue from a fixed price installation contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

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

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(v) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially 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.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(x) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(z) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

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

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

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

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

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

(aa) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(bb) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(dd) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Legal titles of certain buildings

As stated in note 20 to the consolidated financial statements, the Group is in the process of applying for the property rights certificates in respect of certain buildings. Despite the fact that the Group has not obtained all the relevant legal titles, the directors determined to recognise those buildings as property, plant and equipment on the grounds that the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2015 was RMB192,241,000 (2014: RMB202,316,000).

(b) Profit recognition of installation contracts

The Group recognises revenue on installation contracts by reference to the stage of completion of the individual contract activity when the outcome of an installation contract can be estimated reliably.

The total budgeted contract cost of each installation contract is estimated by the management. The Group regularly reviews and revises the budget with reference to the progress and anticipated margin of each individual installation contract. Stage of completion is then measured by the proportion that contract costs incurred for work performed to date compare to the estimated total contract costs. In certain circumstances, the percentage of completion is also supported by a certificate from the quantity surveyors or customers.

For applying the percentage of completion method, the Group needs to estimate the gross profit margin of each installation contract, which is determined based on the estimated total installation contract costs and total installation contract sum. During the year, revenue from installation contracts amounted to RMB96,082,000 (2014: RMB390,081,000) was recognised.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB7,630,000. Details of the goodwill are provided in note 22 to the consolidated financial statements.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, bills and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, bills and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, accumulated impairment loss for bad and doubtful debts was amounted to RMB17,571,000 (2014: RMB17,588,000).

(e) Allowance for obsolete and slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 31 December 2015, allowance for obsolete and slow-moving inventories was amounted to RMB3,073,000 (2014: RMB2,957,000).

(f) Income taxes

The 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. During the year, RMB8,136,000 (2014: RMB5,475,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2015 and 31 December 2014 are as follows:

Group	**Exposure to foreign currencies**					
	2015			**2014**		
	United States dollars	**Euro**	**Hong Kong dollars**	**United States dollars**	**Euro**	**Hong Kong dollars**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade, bills and other receivables	–	–	–	–	18	–
Pledged bank deposits and bank and cash balances	22	2	14,737	8,773	8,732	8,501
Amounts due from associates	–	75,289	–	–	–	–
Accrued charges	–	–	(4,308)	–	–	(13,010)
	22	75,291	10,429	8,773	8,750	(4,509)

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

The following table details the 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.

	2015	**2014**
	RMB'000	*RMB'000*
	Increase/ (decrease) in profit and other comprehensive income for the year	**(Decrease)/ increase in loss and other comprehensive income for the year**
– if RMB weakens against foreign currencies		
Hong Kong dollars ("HKD")	521	225
United States dollars ("USD")	1	(439)
Euro ("EUR")	3,765	(437)
– if RMB strengthens against foreign currencies		
HKD	(521)	(225)
USD	(1)	439
EUR	(3,765)	437

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(b) Credit risk

The Group's credit risk is primarily attributable to its 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 Group's credit risk is significantly reduced.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not provide any other guarantees which would expose the Group to credit risk.

(c) Liquidity risk

The 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 maturity analysis of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or, if floating, based on current rates at the end of the reporting period) is as follows:

	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 31 December 2015					
Trade and other payables	265,053	–	–	–	265,053
Bank borrowings	41,423	–	–	–	41,423
At 31 December 2014					
Trade and other payables	257,025	–	–	–	257,025
Bank borrowings	103,672	–	–	–	103,672

(d) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

	2015	**2014**
Reasonably possible change in interest rate	50 basis points	50 basis points
	RMB'000 **(Decrease)/ increase in profit and other comprehensive income for the year**	*RMB'000* **(Increase)/ decrease in loss and other comprehensive income for the year**
– as a result of increase in interest rate	(376)	(440)
– as a result of decrease in interest rate	376	440

(e) Categories of financial instruments

	2015 *RMB'000*	**2014** *RMB'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	476,023	422,724
Financial liabilities:		
Financial liabilities at amortised cost	224,347	231,109

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

8. REVENUE

Revenue from continuing operations represents the proceeds of sale of fire engines and fire prevention and fighting equipment during the year less discounts and sales related tax.

9. OTHER INCOME

	2015	**2014**
	RMB'000	*RMB'000*
Continuing operations		
Interest income	2,580	1,425
Gain on disposal of associates *(note 24)*	–	583
Gain on disposal of subsidiaries	1,134	–
Government grants *(note)*	1,347	555
Rental income	345	490
Sundry income	1,483	1,525
	6,889	4,578

Note: The government grants represent subsidies provided by the certain government organisations or authorities in the PRC for subsidising certain research and development projects conducted by the Group's subsidiaries.

10. SEGMENT INFORMATION

The Group has two operating segments as follows:

– production and sale of fire engines; and

– production and sale of fire prevention and fighting equipment.

The Group's operating 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 disposed of the entire equity interests it held in the subsidiaries engaged in trading of fire engines and firefighting and rescue equipment and operation of a guest house during 2014. Moreover, the Group disposed of the entire equity interests it held in the subsidiaries engaged in the provision of installation and maintenance of fire prevention and fighting systems services during 2015 pursuant to an agreement entered into on 27 February 2015. The operations concerned have been classified as discontinued operations (note 15) for presentation in the consolidated financial statements for the current year and last year and did not constitute operating segments.

The Group's other operating segment for 2014 referred to the provision of online advertising services which did not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segment was included in the "Others" column. The Group has disposed of the subsidiary engaged in the provision of online advertising services in 2015.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, gain on disposal of subsidiaries, gain on disposal of associates, share of profit/losses of associates, income tax expense and finance costs. Segment assets do not include investments in associates, amounts due from associates, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings and unallocated other payables. Assets and liabilities of the disposal group held for sale were separately disclosed.

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

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2015				
REVENUE				
External sales	438,685	126,493	–	565,178
Inter-segment sales	337	2,739	(3,076)	–
Total	439,022	129,232	(3,076)	565,178
RESULTS				
Segment profit	45,585	15,694		61,279
Interest income				2,580
Gain on disposal of subsidiaries				1,134
Unallocated corporate expenses				(24,427)
Share of profit of associates				15,137
Finance costs				(4,538)
Profit before tax				51,165
Income tax expense				(8,136)
Profit for the year from continuing operations				43,029

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015				
ASSETS				
Segment assets	547,978	148,054		696,032
Investments in associates				419,532
Amounts due from associates				75,289
Pledged bank deposits				10,726
Bank and cash balances				105,059
Unallocated other receivables				10,588
				1,317,226
LIABILITIES				
Segment liabilities	189,244	71,433		260,677
Current tax liabilities				5,586
Bank borrowings				40,000
Unallocated other payables				4,376
				310,639
OTHER INFORMATION				
Additions to non-current assets	694	538		1,232
Allowance for obsolete and slow moving inventories	–	116		116
Depreciation and amortisation	9,040	2,573		11,613
Impairment loss for bad and doubtful debts	81	72		153
Loss on disposal of property, plant and equipment	203	121		324

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2014					
REVENUE					
External sales	341,055	108,194	–	–	449,249
Inter-segment sales	–	13,832	–	(13,832)	–
Total	341,055	122,026	–	(13,832)	449,249
RESULTS					
Segment profit/(loss)	10,629	4,655	(15)		15,269
Interest income					1,425
Gain on disposal of associates					583
Unallocated corporate expenses					(19,961)
Share of losses of associates					(208)
Finance costs					(5,865)
Loss before tax					(8,757)
Income tax expense					(5,475)
Loss for the year from continuing operations					(14,232)

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014					
ASSETS					
Segment assets	578,809	119,014	–		697,823
Investments in associates					99
Amounts due from associates					1,083
Pledged bank deposits					8,369
Bank and cash balances					164,002
Unallocated other receivables					41,309
					912,685
Assets of disposal group held for sale					411,573
					1,324,258
LIABILITIES					
Segment liabilities	196,949	46,820	247		244,016
Current tax liabilities					2,501
Bank borrowings					100,000
Unallocated other payables					13,009
					359,526
Liabilities directly associated with assets of disposal group held for sale					361,573
					721,099

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OTHER INFORMATION					
Additions to non-current assets	931	2,589	–		3,520
Allowance for obsolete and slow moving inventories	729	–	–		729
Depreciation and amortisation	12,853	4,174	17		17,044
Impairment loss/(reversal of impairment loss) for bad and doubtful debts	297	(83)	–		214
Impairment loss on property, plant and equipment	–	128	–		128
Impairment loss on prepayments, deposits and other receivables	–	95	–		95
Loss on disposal of property, plant and equipment	6	5	–		11
Obsolete stock written off	–	100	–		100
Unrecoverable prepayments, deposits and other receivables written off	–	–	2,000		2,000

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC	551,061	449,249	652,747	244,240
Others	14,117	–	5	16
	565,178	449,249	652,752	244,256

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2015 and 2014.

11. OTHER EXPENSES

	2015	**2014**
	RMB'000	*RMB'000*
Continuing operations		
Impairment loss on property, plant and equipment	–	128
Impairment loss on prepayments, deposits and other receivables	–	95
	–	223

12. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank borrowings	4,538	5,865

13. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	2015	2014
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	7,316	5,518
Under/(over)-provision in prior years	820	(43)
	8,136	5,475

No provision for Hong Kong Profits Tax has been made for 2015 and 2014 as the relevant group entities had no assessable profits for both years.

Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

In accordance with the enterprise income tax laws in the PRC, the statutory tax rate for PRC operations is 25% from 1 January 2008. However, certain of the Group's subsidiaries are qualified as High and New Technology Enterprises and are entitled to reduction in the PRC statutory income tax rate. The relevant tax rates for the Group's subsidiaries in the PRC range from 15% to 25% (2014: 15% to 25%).

The reconciliation between the income tax expense and profit/(loss) before tax at applicable tax rates is as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit/(loss) before tax (from continuing operations)	51,165	(8,757)
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	12,791	(2,189)
Tax effect of income that is not taxable	(13,292)	(398)
Tax effect of expenses that are not deductible	25,298	281
Tax effect of temporary differences not recognised	(12,516)	6,480
Tax effect of share of results of associates	(3,784)	52
Tax effect attributable to tax concessions	(4,266)	(3,687)
Tax effect of tax losses not recognised	2,596	4,436
Tax effect of utilisation of tax losses not previously recognised	–	(101)
Under/(over)-provision in prior years	820	(43)
Effect of different tax rates of subsidiaries	489	644
Income tax expense (relating to continuing operations)	8,136	5,475

14. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's profit/(loss) for the year from continuing operations is stated after charging/(crediting) the following:

	2015	**2014**
	RMB'000	*RMB'000*
Allowance for obsolete and slow moving inventories	116	729
Amortisation of prepaid land lease payments	794	726
Auditor's remuneration	1,126	1,395
Cost of inventories sold *(note (i))*	453,369	374,390
Depreciation of property, plant and equipment	10,819	16,318
Gain on disposal of associates	–	(583)
Gain on disposal of subsidiaries	(1,134)	–
Impairment loss for bad and doubtful debts	153	214
Impairment loss on property, plant and equipment (included in other expenses)	–	128
Impairment loss on prepayments, deposits and other receivables (included in other expenses)	–	95
Loss on disposal of property, plant and equipment	324	11
Net foreign exchange (gain)/loss	(2,916)	286
Obsolete stock written off	–	100
Operating lease charges in respect of rented premises	1,383	622
Research and development expenditure *(note (ii))*	16,874	16,606
Unrecoverable prepayments, deposits and other receivables written off	–	2,000
Unrecoverable amounts due from associates written off	1,268	–

Notes: (i) Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and operating lease charges of approximately RMB32,155,000 (2014: RMB34,016,000) which are included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB5,355,000 (2014: RMB5,234,000) which are included in the amounts disclosed separately above.

15. DISCONTINUED OPERATIONS

For the year ended 31 December 2015, discontinued operations referred to the Group's two business units: provision of installation of fire prevention and fighting systems services and provision of maintenance of fire prevention and fighting systems services. The Group entered into a sale and purchase agreement to dispose of the entire equity interests in a group of subsidiaries that had been engaged mainly in the two business units on 27 February 2015 and decided to cease operating the relevant businesses upon completion of the disposal. The disposal was completed in April 2015.

For the year ended 31 December 2014, in addition to the provision of installation and maintenance of fire prevention and fighting systems services, discontinued operations included also the financial results of certain subsidiaries disposed of during 2014. The subsidiaries were engaged respectively in trading of fire engines and firefighting and rescue equipment and operation of a guest house.

As the disposal of the subsidiaries constituted a discontinuance of major lines of business, the profit or loss of the respective subsidiaries were classified as discontinued operations and disclosed separately as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Loss for the year from discontinued operations:		
Revenue	97,221	397,579
Cost of sales and services	(94,178)	(376,628)
Gross profit	3,043	20,951
Other income	57	3,393
Administrative expenses	(15,298)	(171,672)
Other expenses	–	(337,235)
Loss before tax	(12,198)	(484,563)
Income tax expense	(1,348)	(5,705)
	(13,546)	(490,268)
Gain on disposal of subsidiaries	961	2,461
Loss for the year from discontinued operations	(12,585)	(487,807)

	2015	2014
	RMB'000	*RMB'000*
Loss for the year from discontinued operations attributable to:		
Owners of the Company	(12,585)	(487,979)
Non-controlling interests	–	172
	(12,585)	(487,807)
Loss for the year from discontinued operations include the following:		
Depreciation for property, plant and equipment	–	363
Gain on disposal of subsidiaries	(961)	(2,461)
Impairment loss for bad and doubtful debts	–	163,226
Impairment loss on amounts due from contract customers	–	312,322
Impairment loss on prepayments, deposits and other receivables	–	22,877
Impairment loss on property, plant and equipment	–	2,036
Loss on disposal of property, plant and equipment	–	40
Net foreign exchange loss	–	24
Operating lease charges in respect of rented premises	–	103
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	2,323	3,139
Retirement benefit scheme contributions	293	968
	2,616	4,107
Cash flows from discontinued operations:		
Net cash outflow from operating activities	(21,442)	(931)
Net cash outflow from investing activities	(14,028)	(9,114)
Net cash outflow	(35,470)	(10,045)

16. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	2015						2014					
	Fees	Salaries	Discretionary bonus	Retirement benefits scheme contribution	Estimated money value of other benefit	Total	Fees	Salaries	Discretionary bonus	Retirement benefits scheme contribution	Estimated money value of other benefit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*
Non-executive directors												
Dr. Li Yin Hui *(note ii)*	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zheng Zu Hua *(note ii)*	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
Executive directors												
Mr. Jiang Xiong	–	1,158	–	–	146	1,304	–	1,119	–	–	–	1,119
Mr. Jiang Qing	–	1,013	–	8	1,024	2,045	–	995	–	–	–	995
Mr. Luan You Jun *(note ii)*	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Wang De Feng *(note iii)*	84	252	–	17	–	353	143	297	–	30	–	470
Ms. Weng Xiu Xia *(note iii)*	84	30	–	4	–	118	143	78	–	13	–	234
Mr. Hu Yong *(note iii)*	84	268	–	15	–	367	143	309	–	27	–	479
	252	2,721	–	44	1,170	4,187	429	2,798	–	70	–	3,297
Independent non-executive directors												
Dr. Loke Yu	161	–	–	–	146	307	143	–	–	–	–	143
Mr. Heng Ja Wei	161	–	–	–	146	307	143	–	–	–	–	143
Mr. Ho Man *(note ii)*	77	–	–	–	73	150	–	–	–	–	–	–
Ms. Sun Guo Li *(note iii)*	84	–	–	–	–	84	143	–	–	–	–	143
	483	–	–	–	365	848	429	–	–	–	–	429
	735	2,721	–	44	1,535	5,035	858	2,798	–	70	–	3,726

Notes:

(i) Estimated money values of other benefit represents share-based payments.

(ii) Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Ho Man were appointed on 29 July 2015.

(iii) Mr. Wang De Feng, Ms. Weng Xiu Xia, Mr. Hu Yong and Ms. Sun Guo Li resigned on 29 July 2015.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and there was no arrangement under which a director waived or agreed to waive any emoluments (2014: RMBNil).

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

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

17. EMPLOYEE BENEFITS EXPENSE

	2015	**2014**
	RMB'000	*RMB'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	40,943	38,796
Equity-settled share-based payments	4,111	–
Retirement benefit scheme contributions	8,202	8,497
	53,256	47,293

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2014: three) directors, whose emoluments are included in the note 16 to the consolidated financial statements above. The emoluments of the remaining three (2014: two) individuals are set out below:

	2015	**2014**
	RMB'000	*RMB'000*
Salaries and other benefits	1,749	1,819
Equity-settled share-based payments	817	–
Retirement benefit scheme contributions	54	27
	2,620	1,846

The emoluments fell within the following bands:

	Number of individuals 2015	2014
Nil to HKD1,000,000 (equivalent to RMB801,300)	2	1
HKD1,000,001 to HKD1,500,000 (equivalent to RMB801,301 to RMB1,201,950)	1	1
	3	2

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: RMBNil).

18. DIVIDENDS

	2015 *RMB'000*	**2014** *RMB'000*
Interim dividend of HK3 cents (2014: HKDNil) per share, paid on 31 July 2015	69,496	–

The directors recommended an interim dividend of HK3 cents per share of HKD0.01 each in the capital of the Company to be paid entirely out of the share premium account of the Company on 5 June 2015. The interim dividend was approved by the shareholders of the Company at an extraordinary general meeting on 24 June 2015 and was subsequently paid on 31 July 2015.

The directors do not recommend the payment of final dividend for the year ended 31 December 2015. No dividend was declared or paid for the year ended 31 December 2014.

19. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	From continuing and discontinued operations 2015	2014
	RMB'000	*RMB'000*
Profit/(loss) for the year attributable to owners of the Company	18,611	(503,854)
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	3,441,644	2,855,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company	883	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	3,442,527	2,855,000

	From continuing operations 2015	2014	From discontinued operations 2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year attributable to owners of the Company	31,196	(15,875)	(12,585)	(487,979)

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings/(loss) per share are the same. The basic and diluted loss per share from discontinued operations for 2015 are RMB0.37 cent per share (2014: RMB17.09 cents).

20. PROPERTY, PLANT AND EQUIPMENT

	Group							
	Buildings	Plant and equipment	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2014	267,277	21,687	2,565	2,077	9,350	1,109	276	304,341
Additions	–	204	444	27	1,864	–	–	2,539
Reclassification	–	–	276	–	–	–	(276)	–
Disposals	–	–	(7)	(4)	(733)	–	–	(744)
At 31 December 2014 and 1 January 2015	267,277	21,891	3,278	2,100	10,481	1,109	–	306,136
Additions	176	915	6	135	–	–	–	1,232
Disposals	(86)	(1,186)	(972)	(907)	(463)	–	–	(3,614)
Disposal of subsidiaries	–	(735)	(232)	(362)	(4,845)	(1,072)	–	(7,246)
At 31 December 2015	267,367	20,885	2,080	966	5,173	37	–	296,508
Accumulated depreciation and impairment								
At 1 January 2014	66,850	9,711	1,518	1,250	5,416	743	–	85,488
Charge for the year	13,368	1,932	359	213	714	95	–	16,681
Impairment loss	–	79	28	32	1,763	262	–	2,164
Disposals	–	–	(6)	(4)	(503)	–	–	(513)
At 31 December 2014 and 1 January 2015	80,218	11,722	1,899	1,491	7,390	1,100	–	103,820
Charge for the year	7,954	1,908	364	172	413	8	–	10,819
Disposals	(77)	(963)	(875)	(819)	(403)	–	–	(3,137)
Disposal of subsidiaries	–	(735)	(226)	(357)	(4,846)	(1,071)	–	(7,235)
At 31 December 2015	88,095	11,932	1,162	487	2,554	37	–	104,267
Carrying amount								
At 31 December 2015	179,272	8,953	918	479	2,619	–	–	192,241
At 31 December 2014	187,059	10,169	1,379	609	3,091	9	–	202,316

At 31 December 2015, the Group was in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB83,953,000 (2014: RMB87,573,000).

During the year, the Group changed the estimated useful lives of certain buildings from 20 years to 30 years due to the re-assessment of the condition of the buildings performed by the management because of the expansion plan made during the year. As a result of this change in accounting estimate, the depreciation charge decreased by approximately RMB5,456,000 for the year and will also decreased by approximately RMB5,456,000 for each of the following 23 years.

21. PREPAID LAND LEASE PAYMENTS

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

	2015 *RMB'000*	2014 *RMB'000*
At 1 January	34,937	33,772
Additions	–	1,891
Amortisation of prepaid land lease payments	(794)	(726)
At 31 December	34,143	34,937
Current portion	(794)	(726)
Non-current portion	33,349	34,211

At 31 December 2014, the Group was in the process of applying for the land use rights certificates in respect of land leases with carrying amount of RMB21,381,000. All the land use rights certificates were obtained in 2015.

22. GOODWILL

	2015 *RMB'000*	2014 *RMB'000*
Cost		
At 1 January	17,762	45,348
Derecognised on disposal of subsidiaries	(10,132)	(27,586)
At 31 December	7,630	17,762
Accumulated impairment losses		
At 1 January	10,132	37,718
Derecognised on disposal of subsidiaries	(10,132)	(27,586)
At 31 December	–	10,132
Carrying amount		
At 31 December	7,630	7,630

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating unit ("CGU"). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2015 and 2014 is allocated as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Production and sale of fire engines	7,630	7,630

The recoverable amount of the above CGU has been determined on the basis of its value in use calculation using discounted cash flow method. The cash flow projection was based on financial budget approved by management covering a five-year period, and discount rate at 15.27% (2014: 13%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 1% (2014: 1%). This growth rate is based on the forecast of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculation included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGU's historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amount.

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
Wang Sing Technology Limited/limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100% *(note (i))*	Investment holding
Allied Best Holdings Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
萃聯(中國)消防設備製造有限公司 Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,000,000	100%	Production and sale of fire prevention and fighting equipment
Morita-CFE Investment Company Limited (subsequently renamed as CFE Appliances Investment Company Limited)/limited liability company	Hong Kong	Ordinary shares of HKD1,000	100%	Investment holding
Profit Asia International Trading Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
四川森田消防裝備製造有限公司(後更名為四川川消消防車輛製造有限公司) Sichuan Morita Fire Safety Appliances Co., Ltd. ("Sichuan Morita") (subsequently renamed as Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd.) sino-foreign equity joint venture	PRC	Registered capital of RMB80,640,000	100%	Production and sale of fire engines and fire prevention and fighting equipment

Note: (i) Shares held directly by the Company.

The following table shows information of a subsidiary that has non-controlling interests ("NCI") material to the Group as at 31 December 2014. The Group acquired the entire NCI at a consideration of RMB37,000,000 on 10 December 2015. The summarised financial information represented amounts before inter-company eliminations.

Name	**Sichuan Morita 2014**
Principal place of business/Country of incorporation	PRC
% of ownership interest held by NCI	25%
	RMB'000
At 31 December:	
Non-current assets	13,452
Current assets	491,928
Current liabilities	(285,572)
Net assets	219,808
Accumulated NCI	54,723
Year ended 31 December:	
Revenue	341,055
Profit	6,573
Total comprehensive income	6,573
Profit allocated to NCI	1,644
Net cash used in operating activities	(7,502)
Net cash generated from investing activities	10,566
Net cash generated from financing activities	15,000
Net increase in cash and cash equivalents	18,064

At 31 December 2015, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB101,024,000 (2014: RMB170,688,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. INVESTMENTS IN ASSOCIATES

	2015	2014
	RMB'000	*RMB'000*
Unlisted investments:		
Share of net assets	135,426	42,732
Goodwill	284,106	1,231
	419,532	43,963
Impairment losses *(note)*	–	(43,864)
	419,532	99

Note: The change in the balance of impairment losses was due to the disposal of the relevant associates during the year. No impairment loss was made for the year.

Details of the Group's associate at 31 December 2015 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Albert Ziegler GmbH ("Ziegler")/ limited liability company	Germany	EUR13,543,000	40%	Production and sale of fire engines and fire prevention and fighting equipment

The Group completed the acquisition of 40% equity interests in Ziegler on 10 July 2015. The Company issued 1,223,571,430 shares, representing 30% issued share capital of the Company to CIMC Top Gear B.V. (the "Vendor", a wholly owned subsidiary of CIMC) as purchase consideration. The closing price of the Company's shares as quoted on the Stock Exchange on the date of completion was HKD0.48 per share, giving rise to a total consideration of HKD587,314,000 (equivalent to approximately RMB470,849,000). Consideration paid amounted to EUR10,356,000 (equivalent to approximately RMB74,584,000) was for acquiring 40% of the loans advanced by the Vendor to Ziegler (on a 1:1 basis) at the date of completion which has been recognised as amount due from associates (note 27).

The Group has disposed of all the investments in other associates during the year.

The following table shows information on Ziegler, the associate of the Group at 31 December 2015, which is accounted for in the consolidated financial statements using the equity method.

	Ziegler
	2015
	RMB'000
At 31 December:	
Non-current assets	408,391
Current assets	916,991
Non-current liabilities	(86,651)
Current liabilities	(898,545)
Non-controlling interests	(1,621)
Net assets	338,565
The Group's 40% share of net assets	135,426
Goodwill	284,106
The Group's share of carrying amount of interests	419,532
For the period from 10 July to 31 December 2015:	
Revenue	790,785
Profit from continuing operations	38,092
Total comprehensive income	38,092
The Group's 40% share of profit	15,236

The following table shows, in aggregate the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2015	2014
	RMB'000	*RMB'000*
At 31 December:		
Carrying amounts of interests	–	99
Year ended 31 December (up to the date of disposal):		
Loss from continuing operations	99	208
Total comprehensive income	99	208

At 31 December 2015, the Group's associate has no bank and cash balances in the PRC denominated in RMB (2014: RMB1,078,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Particulars of associates disposed of in 2015 and 2014 are as follows:

Associates disposed of in 2015:

Name/type of legal entity	Percentage of ownership interest	Principal activities
北京特威特國際環保科技有限公司 Beijing TWT/limited liability enterprise	45%	Production and sale of fire suppression foam
四川神劍消防科技有限公司 Sichuan Shenjian/limited liability enterprise	40%	Production and sale of fire prevention and fighting equipment

Associates disposed of in 2014:

Name/type of legal entity	Percentage of ownership interest	Principal activities
福州華安消防工程技術有限公司 Fuzhou Huaan Fire Engineering Co., Ltd.	40%	Provision of fire prevention and fighting system installation services and maintenance services
永利高環球有限公司 Profit Top Global Limited	49%	Investment holding and development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
上海凱德消防設備有限公司 Shanghai Kidde Fire Fighting Co., Ltd.	30%	Production and sale of fire prevention and fighting equipment

The transactions have resulted in the recognition of a gain in profit or loss, calculated as follows:

	2015	2014
	RMB'000	*RMB'000*
Proceed of disposal	–	3,485
Less: Carrying amount of the investments in associates at date of disposal	–	(2,902)
Gain on disposal of associates	–	583

25. INVENTORIES

Inventories represent fire engines and fire prevention and fighting equipment.

	2015	2014
	RMB'000	*RMB'000*
Raw materials	34,312	32,635
Work in progress	32,423	38,700
Finished goods	69,980	97,367
	136,715	168,702

The above inventories are stated at lower of cost and net realisable value.

26. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade and bills receivables	289,802	227,694
Less: Impairment loss for bad and doubtful debts	(17,571)	(17,588)
	272,231	210,106

The Group allows an average credit period of 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits

The aging analysis of trade and bills receivables, based on the invoice date and net of impairment loss for bad and doubtful debts, is shown below.

	2015	2014
	RMB'000	*RMB'000*
0 – 90 days	124,305	63,215
91 – 180 days	85,583	67,577
181 – 360 days	18,990	50,569
Over 360 days	43,353	28,745
	272,231	210,106

The carrying amount of the Group's trade and bills receivables at 31 December 2015 and 2014 were all denominated in RMB.

As at 31 December 2015, trade and bills receivables of RMB62,343,000 (2014: RMB79,314,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade and bills receivables is as follows:

	2015	2014
	RMB'000	*RMB'000*
181 – 360 days	18,990	50,569
Over 360 days	43,353	28,745
	62,343	79,314

Reconciliation of impairment loss for bad and doubtful debts:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	17,588	289,046
Impairment loss for the year	153	163,440
Amounts written off	(168)	(270)
Disposal of subsidiaries	(2)	(30,943)
Classified as disposal group held for sale	–	(404,155)
Exchange differences	–	470
At 31 December	17,571	17,588

The management closely monitors the credit quality of the trade and bills receivables and considers the trade and bills receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Group, trade and bills receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality and loss event of these customers. Impairment loss for bad and doubtful debts recognised for 2015 and 2014 were on trade and bills receivables which were either aged over two years or customers which had either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

27. AMOUNTS DUE FROM ASSOCIATES

As referred to in note 24 to the consolidated financial statements, the amounts due from associates at 31 December 2015 represented the loans acquired at the time when the Group acquired the equity interests in Ziegler and corresponding loan interest from the date of acquisition to 31 December 2015.

	2015
	RMB'000
Loan	74,584
Interest	705
	75,289

The loan is unsecured and interest bearing as follows:

At 31 December 2015			
In original currency	**Equivalent to**	**Interest rate**	**Repayment**
EUR'000	*RMB'000*		
596	4,292	1.7451% p.a.	On demand
9,760	70,292	3 months Euribor + 2%	5 December 2016
10,356	74,584		

The amounts due from associates at 31 December 2014 were due from Beijing TWT and Sichuan Shenjian. The amounts were unsecured, interest free and repayable on demand. These associates have been disposed of during 2015 and the outstanding balances were fully written off.

28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 1.025% (2014: Nil to 1.35%) per annum.

The pledged bank deposits are mainly to secure banking facilities granted to the Group and carry interest at 0.35% (2014: 0.35%) per annum.

As at 31 December 2015, pledged bank deposit and bank and cash balances of the Group denominated in RMB amount to RMB101,024,000 (2014: RMB170,688,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. DISPOSAL GROUP HELD FOR SALE

Disposal group held for sale at 31 December 2014 represented the assets and liabilities of a group of subsidiaries disposed of pursuant to a sales and purchase agreement the Group entered into on 27 February 2015 as referred to in note 15 to the consolidated financial statements. The subsidiaries concerned were mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The disposal was completed in April 2015.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2014 were as follows:

	2014
	RMB'000
Retention receivables	329
Trade and bills receivables	528,768
Impairment loss for bad and doubtful debts	(404,155)
Amounts due from contract customers	247,926
Pledged bank deposits	690
Bank and cash balances	38,015
Assets of disposal group held for sale	411,573
Trade and other payables	(333,993)
Amounts due to contract customers	(21,242)
Current tax liabilities	(2,105)
Deferred tax liabilities	(4,233)
Liabilities directly associated with assets of disposal group held for sale	(361,573)
Net assets of disposal group held for sale	50,000

30. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	95,757	84,442
Accrued charges	69,459	43,665
Receipts in advance	80,706	125,916
Value added tax, sales tax and other levies	19,131	3,002
	265,053	257,025

The aging analysis of trade payables, based on the date of receipt of goods, is shown below.

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	44,865	34,099
31 – 60 days	15,424	12,599
61 – 90 days	12,818	12,834
Over 90 days	22,650	24,910
	95,757	84,442

Except for the part of the accrued charges as disclosed in note 6(a) to the consolidated financial statements were denominated in HKD, the carrying amount of the Group's trade and other payables at 31 December 2015 and 2014 were all denominated in RMB.

31. BANK BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Bank loans, unsecured	40,000	100,000

The Group's bank borrowings at 31 December 2015 and 2014, were all denominated in RMB and were due for settlement within 12 months (shown under current liabilities).

The bank loans were guaranteed by subsidiaries of the Company.

The average interest rates for the year ended 31 December are as follows:

	2015	**2014**
Bank loans	6.06%	6.67%

The interest rates for the bank loans outstanding at 31 December 2015 were arranged at 110% to 118% (2014: 110% to 116%) of the benchmark interest rate as stipulated by the People's Bank of China and expose the Group to cash flow interest rate risk.

32. DEFERRED TAX

At 31 December 2015, the Group has unused tax losses of RMB93,500,000 (2014: RMB84,853,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. As at 31 December 2015, all tax losses may be carried forward indefinitely (2014: RMB5,743,000 expire from 2015 to 2019).

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB160,828,000 (2014: RMB290,048,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Authorised:		
Shares of HKD0.01 (2014: HKD0.01) each		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	10,000,000,000	100,000
Issued and fully paid:		
Shares of HKD0.01 (2014: HKD0.01) each		
At 1 January 2014, 31 December 2014 and 1 January 2015	2,855,000,000	28,550
Shares issued for acquisition of an associate *(note 24)*	1,223,571,430	12,236
At 31 December 2015	4,078,571,430	40,786

	2015	2014
	RMB'000	*RMB'000*
Shown in the consolidated financial statements as	39,977	30,168

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as total debt divided by adjusted capital. Total debt comprises bank borrowings. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-adjusted capital ratio at reasonable level. The debt-to-adjusted capital ratios at 31 December 2015 and at 31 December 2014 were as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Total debt	40,000	100,000
Adjusted capital	1,006,587	549,123
Debt-to-adjusted capital ratio	4%	18%

The decrease in the debt-to-adjusted capital ratio during 2015 resulted primarily from new issuance of share capital and repayments of bank borrowings.

The externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares restricted throughout the year.

The Company was not informed of any change in the Company's shareholdings that would lead to its non-compliance with the 25% public float requirement throughout the year.

34. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The shareholders of the Company adopted a share option scheme on 29 May 2009 (the "Scheme") in replacement of the old share option scheme, which had been in effect before the Company transferred the listing of its shares from GEM to Main Board of the Stock Exchange on 6 October 2008. Options granted but unexercised under the old share option scheme remained valid and exercisable with their terms of issue. The Scheme shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

The purpose of the Scheme is to advance the interests of the Company and its shareholders by offering the eligible persons a performance incentive for better services and loyalty with the Company and its subsidiaries and enhancing such persons' contributions to the Group by share ownership. A duly authorised committee of the board of directors of the Company may, at its absolute discretion, offer any full-time employee of the Company or any its subsidiaries, including any executive and non-executive directors of the Company or any of its subsidiaries options to subscribe for shares on the terms set out in the Scheme.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The total number of shares available for issue under the Scheme is 285,500,000 shares, representing 7% of the Company's issued share capital as at the date of this report.

Details of the movement of share options during the year are as follows:

	2015 No. of share options	Exercise Price *(HKD)*	2014 No. of share options	Exercise price *(HKD)*
Outstanding at 1 January	–	–	20,000,000	0.44
Granted during the year	115,625,000	0.42	–	–
Expired during the year	–	–	(20,000,000)	0.44
Outstanding at 31 December	115,625,000	0.42	–	–
Exercisable at end of the year	–	–	–	–

The share options outstanding at 1 January 2014 was granted to a director of the Company on 24 May 2004. The options were exercisable at any time from 25 May 2004 to 24 May 2014 but none of them had been exercised before they were expired on 24 May 2014. Share options are forfeited according to the terms of the Scheme if the employee leaves the Group.

The share options outstanding at 31 December 2015 was granted to certain directors of the Company and certain employees of the Group on 26 August 2015. The share options granted will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive) but cannot be exercised until they are vested which shall be on the earliest of the following dates:

(i) the first business day after the second anniversary of 10 July 2015, being the date on which CIMC first becoming a controlling shareholder (as defined in the Listing Rules) of the Company;

(ii) the first business day after the day on which CIMC disposed of any number of shares it held such that its shareholdings in the Company will decrease to below 30%; and

(iii) the first business day after the day on which CIMC's shareholdings in the Company increased to an extent that exercise of all the share options that were granted on 26 August 2015 will not dilute its shareholdings in the Company to below 30%.

All of the share options outstanding at 31 December 2015 have not yet been vested and therefore not exercisable.

The estimated fair value of the share options granted on 26 August 2015, as calculated using the Binomial pricing model, was HKD19,956,000. The inputs into the model are as follows:

	2015
Share price at date of grant	HKD0.365
Exercise price	HKD0.42
Expected volatility	55.5%
Expected life of options	10 years
Risk free rate	1.684%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous ten years.

For the year ended 31 December 2015, employee's share-based payment of approximately HKD4,989,000 (equivalently to approximately RMB4,111,000) has been charged to the Group's profit for the year with a corresponding credit to the share-based payment reserve.

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

(ii) Capital reserve

The capital reserve represents the share premium arising from the issue of shares of a subsidiary to the investors under the group reorganisation.

(iii) Statutory surplus reserve

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate 10% or an amount to be determined by the directors of their respective profits after tax in accordance with the relevant PRC accounting rules and financial regulations before any distribution of dividends to equity holders each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital. In normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into capital and expansion of their respective production facilities and operations.

(iv) Statutory public welfare fund

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate from their respective profits after tax at the rate of 5% to 10% or an amount to be determined by the directors to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. The statutory public welfare fund forms part of the equity and is non-distributable other than upon liquidation.

(v) Statutory reserve fund

In accordance with the Law of the PRC on foreign enterprises, wholly foreign-owned enterprises are required to transfer an amount of not less than 10% of their respective profits after tax to the statutory reserve fund, which may be used for making up prior year losses, if any, and for capitalisation into capital.

(vi) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(v) to the consolidated financial statements.

(vii) Exchange reserve

Group

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

Company

The exchange reserve arose from the change of functional currency of the Company from HKD to RMB in prior year.

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	187,567	187,567
Current assets		
Prepayments, deposits and other receivables	40	38
Amounts due from subsidiaries	798,594	484,234
Bank and cash balances	13,760	28,637
	812,394	512,909
Current liabilities		
Accrued charges	2,843	3,356
Net current assets	809,551	509,553
NET ASSETS	997,118	697,120
Capital and reserves		
Share capital	39,977	30,168
Reserves	957,141	666,952
	997,118	697,120

Approved by the Board of Directors on 28 March 2016 and are signed on its behalf by:

Li Yin Hui	**Jiang Xiong**
Director	*Director*

(b) Reserve movement of the Company

	Share premium	Capital reserve	Share-based payment reserves	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note 35(b)(vii))*	*RMB'000*	*RMB'000*
At 1 January 2014	646,363	170,607	–	(3,342)	(120,013)	693,615
Total comprehensive income for the year	–	–	–	–	(26,663)	(26,663)
At 31 December 2014 and 1 January 2015	646,363	170,607	–	(3,342)	(146,676)	666,952
Total comprehensive income for the year	–	–	–	–	(105,466)	(105,466)
Issue of shares for acquisition of an associate *(note 24)*	461,040	–	–	–	–	461,040
Payment of interim dividend out of share premium account *(note 18)*	(69,496)	–	–	–	–	(69,496)
Share-based payments	–	–	4,111	–	–	4,111
At 31 December 2015	1,037,907	170,607	4,111	(3,342)	(252,142)	957,141

37. ACQUISITION OF NON-CONTROLLING INTERESTS

The Group acquired an additional 25% equity interest in Sichuan Morita in December 2015 for a cash consideration of RMB37,000,000, increasing its ownership from 75% to 100%. The carrying amount of the non-controlling interests at the date of acquisition was approximately RMB65,869,000.

38. DISPOSAL OF SUBSIDIARIES

The Group disposed of all the equity interests held in the following subsidiaries during the year:

Name of subsidiary/ type of legal entity	Percentage of ownership interests held by the Group	Principal activities
萃聯（上海）貿易有限公司 Allied Best (Shanghai) Trading Co., Ltd./ limited liability enterprise	100%	Trading of fire prevention and fighting equipment
CFE Investment Limited/ limited liability company	100%	Investment holding
川消消防工程有限公司 Chuanxiao Fire Engineering Company Limited limited liability enterprise	100%	Provision of fire prevention and fighting system installation services and maintenance services
福州市萬友消防設備有限公司 Fuzhou Wanyou Fire Equipment Co., Ltd./ wholly foreign-owned enterprise	100%	Production and sale of fire prevention and fighting equipment
金格邏博網絡技術有限公司 Jinge Luobo Network Technologies Co., Ltd./limited liability enterprise	100%	Provision on on-line advertising services
Loyal Asset Investment Holdings Limited/ limited liability company	100%	Investment holding
四川萬山福特種消防裝備制造有限公司 Sichuan Wan Shan Fu Special Fire Equipment Manufacturing Co., Ltd./ limited liability enterprise	100%	Production and sale of fire prevention and fighting equipment
萬友消防工程集團有限公司 Wanyou Fire Engineering Group Company Limited /limited liability enterprise	100%	Provision of fire prevention and fighting system installation services and maintenance services

The net (liabilities)/assets of the subsidiaries disposed of at the date of disposal were as follows:

	2015 Continuing operations *RMB'000*	**2015 Discontinued operations** *RMB'000*	**2015 Total** *RMB'000*
Property, plant and equipment	5	6	11
Retention receivables	–	329	329
Trade and bills receivables	2,675	535,214	537,889
Impairment loss for bad and doubtful debts	(2,675)	(401,484)	(404,159)
Amounts due from contract customers	–	246,659	246,659
Bank and cash balances	217	16,079	16,296
Trade and other payables	(852)	(313,345)	(314,197)
Amounts due to contract customers	–	(29,415)	(29,415)
Current tax liabilities	(1)	(509)	(510)
Deferred tax liabilities	–	(4,495)	(4,495)
Net (liabilities)/assets disposed of	(631)	49,039	48,408
Release of exchange reserve	(493)	–	(493)
	(1,124)	49,039	47,915
Gain on disposal of subsidiaries	1,134	961	2,095
Total consideration	10	50,000	50,010
Satisfied by:			
Cash consideration received	10	50,000	50,010
Net cash (outflow)/inflow arising on disposal:			
Cash consideration received	10	50,000	50,010
Bank and cash balances disposed of	(37)	(16,259)	(16,296)
	(27)	33,741	33,714

During 2014, the Group disposed of all the equity interests held in the following subsidiaries:

Name of subsidiary/ type of legal entity	**Percentage of ownership interests held by the Group**	**Principal activities**
成都萃聯酒店有限公司 Chengdu Allied Best Hotel Co., Ltd./ limited liability enterprise	60%	Operation of a guest house
福建東盟聯合水產品投資管理有限公司 Fujian Asean United Aquatic Products Investment Management Co. Ltd./ limited liability enterprise	100%	Production and sale of fire prevention and fighting equipment
Tung Shing Trade Development Company Limited/limited liability company	51%	Trading of fire engines and fire fighting and rescue equipment

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	2014 **Continuing operations** *RMB'000*	**2014** **Discontinued operations** *RMB'000*	**2014** **Total** *RMB'000*
Property, plant and equipment	–	13,752	13,752
Investment properties	–	38,700	38,700
Prepaid land lease payments	–	513	513
Trade and bills receivables	–	30,943	30,943
Impairment loss for bad and doubtful debts	–	(30,943)	(30,943)
Prepayments, deposits and other receivables	–	8,078	8,078
Bank and cash balances	–	12,114	12,114
Trade and other payables	–	(27,546)	(27,546)
Amounts due to non-controlling shareholders	–	(6,189)	(6,189)
Net assets disposed of	–	39,422	39,422
Non-controlling interests	–	24,900	24,900
Release of exchange reserve	–	(4,473)	(4,473)
	–	59,849	59,849
Gain on disposal of subsidiaries	–	2,461	2,461
Total consideration	–	62,310	62,310
Satisfied by:			
Cash consideration received	–	21,436	21,436
Cash consideration receivable	–	40,874	40,874
	–	62,310	62,310
Net cash inflow, arising on disposal:			
Cash consideration received	–	21,436	21,436
Bank and cash balances disposed of	–	(12,114)	(12,114)
	–	9,322	9,322

39. CAPITAL COMMITMENTS

At 31 December 2015, the Group's capital commitments are as follows:

	2015 *RMB'000*	**2014** *RMB'000*
Property, plant and equipment	16,250	17,677

40. OPERATING LEASE COMMITMENTS

As lessee

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	1,799	451
In the second to fifth year inclusive	3,742	–
	5,541	451

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

As lessor

At 31 December 2015, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	553	282
In the second to fifth year inclusive	569	–
	1,122	282

41. RETIREMENT BENEFIT SCHEMES

The group entities operating in the PRC participate in a state-managed retirement benefit plan operated by the government of the PRC. All eligible PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at rates ranging from 18% to 21% (2014: 18% to 22%) of the basic salary of its eligible PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2015 amounted to RMB8,408,000 (2014: RMB9,388,000).

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme. During the year ended 31 December 2015, the Group made to the MPF Scheme contributions amounting to RMB87,000 (2014: RMB77,000).

42. RELATED PARTY TRANSACTIONS

(a) 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 year:

	2015	**2014**
	RMB'000	*RMB'000*
Finished goods from associates	221	5,539
Finished goods sold to associates	7	86
Interest income received from an associate	705	
Rental income received from associates	75	336

(b) The key management personnel are the directors. The details of the remuneration paid to them are set out in note 16 to the consolidated financial statements.

43. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2015 (2014: RMB Nil).

The audited consolidated financial statements of CFE Group for the year ended 31 December 2016 are set out as below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	7	471,252	565,178
Cost of sales		(363,991)	(453,369)
Gross profit		107,261	111,809
Other income	8	6,047	6,889
Selling and distribution costs		(14,779)	(18,469)
Administrative expenses		(58,914)	(59,663)
Profit from operations		39,615	40,566
Finance costs	10	(1,400)	(4,538)
Other expense	11	(16,224)	–
Share of profit of associates		2,881	15,137
Profit before tax		24,872	51,165
Income tax expense	12	(7,586)	(8,136)
Profit for the year from continuing operations	13	17,286	43,029
Discontinued operations			
Loss for the year from discontinued operations	14	–	(12,585)
Profit for the year		17,286	30,444
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		–	(493)
Exchange differences on translating foreign operations		20,403	5,013
Share of other comprehensive income of an associate		164	–
Other comprehensive income for the year, net of tax		20,567	4,520
Total comprehensive income for the year		37,853	34,964

	Note	2016 RMB'000	2015 RMB'000
Profit for the year attributable to:			
Owners of the Company		17,286	18,611
Non-controlling interests		–	11,833
		17,286	30,444
Total comprehensive income for the year attributable to:			
Owners of the Company		37,853	23,131
Non-controlling interests		–	11,833
		37,853	34,964
Earnings per share (RMB cent)	18		
From continuing and discontinued operations			
Basic		0.42	0.54
Diluted		0.42	0.54
From continuing operations			
Basic		0.42	0.91
Diluted		0.42	0.91

Consolidated Statement of Financial Position
At 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	19	183,354	192,241
Prepaid land lease payments	20	32,555	33,349
Goodwill	21	7,630	7,630
Investment in an associate	23	518,993	419,532
		742,532	652,752
Current assets			
Inventories	24	138,232	136,715
Trade and bills receivables	25	207,533	272,231
Prepayments, deposits and other receivables		83,571	63,660
Amount due from an associate	26	2,151	75,289
Prepaid land lease payments	20	794	794
Pledged bank deposits	27	3,270	10,726
Bank and cash balances	27	132,576	105,059
		568,127	664,474
Current liabilities			
Trade and other payables	28	226,265	265,053
Bank borrowings	29	10,000	40,000
Provision	30	16,224	–
Current tax liabilities		5,171	5,586
		257,660	310,639
Net current assets		310,467	353,835
NET ASSETS		1,052,999	1,006,587
Capital and reserves			
Share capital	32	39,977	39,977
Reserves	34	1,013,022	966,610
TOTAL EQUITY		1,052,999	1,006,587

Approved by the Board of Directors on 27 March 2017 and are signed on its behalf by:

Li Yin Hui	**Jiang Xiong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 34(b)(i))	Capital reserve RMB'000 (Note 34(b)(ii))	Statutory surplus reserve RMB'000 (Note 34(b)(iii))	Statutory public welfare fund RMB'000 (Note 34(b)(iv))	Share-based payment reserve RMB'000 (Note 34(b)(v))	Exchange reserve RMB'000 (Note 34(b)(vi))	Other reserve RMB'000 (Note 34(b)(vii))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	30,168	646,363	(6,692)	88,783	32,803	19,724	–	(6,018)	–	(256,008)	549,123	54,036	603,159
Total comprehensive income for the year	–	–	–	–	–	–	–	4,520	–	18,611	23,131	11,833	34,964
Issue of shares for acquisition of an associate *(note 23)*	9,809	461,040	–	–	–	–	–	–	–	–	470,849	–	470,849
Payment of interim dividend out of share premium account *(note 17)*	–	(69,496)	–	–	–	–	–	–	–	–	(69,496)	–	(69,496)
Share-based payments	–	–	–	–	–	–	4,111	–	–	–	4,111	–	4,111
Disposal of subsidiaries *(note 37)*	–	–	–	–	(32,803)	(19,724)	–	–	–	52,527	–	–	–
Acquisition of non-controlling interests *(note 36)*	–	–	–	–	–	–	–	–	–	28,869	28,869	(65,869)	(37,000)
Total comprehensive income and changes in equity for the year	9,809	391,544	–	–	(32,803)	(19,724)	4,111	4,520	–	100,007	457,464	(54,036)	403,428
At 31 December 2015	39,977	1,037,907	(6,692)	88,783	–	–	4,111	(1,498)	–	(156,001)	1,006,587	–	1,006,587
At 1 January 2016	39,977	1,037,907	(6,692)	88,783	–	–	4,111	(1,498)	–	(156,001)	1,006,587	–	1,006,587
Total comprehensive income for the year	–	–	–	–	–	–	–	20,403	164	17,286	37,853	–	37,853
Share-based payments	–	–	–	–	–	–	8,559	–	–	–	8,559	–	8,559
Total comprehensive income and changes in equity for the year	–	–	–	–	–	–	8,559	20,403	164	17,286	46,412	–	46,412
At 31 December 2016	39,977	1,037,907	(6,692)	88,783	–	–	12,670	18,905	164	(138,715)	1,052,999	–	1,052,999

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
Continuing operations		24,872	51,165
Discontinued operations		–	(11,237)
		24,872	39,928
Adjustments for:			
Allowance for obsolete and slow-moving inventories		–	116
Amortisation of prepaid land lease payments		794	794
Depreciation of property, plant and equipment		10,804	10,819
Gain on disposal of subsidiaries	37	–	(2,095)
Impairment loss for bad and doubtful debts		339	153
Provision for a legal claim in respect of a rental dispute		16,224	–
Unrecoverable amounts due from associates written off		–	1,268
Finance costs		1,400	4,538
Interest income		(2,752)	(2,637)
Loss on disposal of property, plant and equipment		50	324
Share-based payments		8,559	4,111
Share of profit of associates		(2,881)	(15,137)
Operating profit before working capital changes		57,409	42,182
(Increase)/decrease in inventories		(1,517)	31,871
Decrease/(increase) in trade and bills receivables		64,359	(71,395)
Decrease in amounts due from contract customers		–	1,267
(Increase)/decrease in prepayments, deposits and other receivables		(19,911)	49,406
Decrease in trade and other payables		(38,788)	(11,768)
Increase in amounts due to contract customers		–	8,173
Cash generated from operations		61,552	49,736
Interest paid		(1,400)	(4,538)
Income tax paid		(8,001)	(7,732)
Net cash generated from operating activities		52,151	37,466

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,045)	(1,232)
Decrease/(increase) in pledged bank deposits		7,456	(1,667)
Interest received		2,752	2,637
Advance to associates		(2,875)	(890)
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	37	–	33,714
Proceeds from disposal of property, plant and equipment		78	153
Net cash generated from investing activities		5,366	32,715
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		–	(37,000)
New bank loans raised		20,000	40,000
Repayment of bank loans		(50,000)	(100,000)
Dividend paid		–	(69,496)
Net cash used in financing activities		(30,000)	(166,496)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,517	(96,315)
Effect of foreign exchange rate changes		–	(643)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		105,059	202,017
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		132,576	105,059
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		132,576	105,059

Notes to the Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

China Fire Safety Enterprise Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "PRC") is No. 8 Section 1, Xin Hua Road, Chengdu Cross-Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, PRC.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 22 and 23 to the consolidated financial statements respectively.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed in note 4.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements. The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 39, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB5,357,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investments in associates is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency and the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this 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 at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the term of the lease or 20 – 30 years
Plant and equipment	10% – 33%
Furniture and fixtures	10% – 33%
Computers	20% – 33%
Motor vehicles	10% – 25%
Leasehold improvements	Over the shorter of the term of the lease or 20%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

The Group as lessee

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on straight-line basis over the remaining term of lease.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(g) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

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

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

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;

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

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overheads, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of an installation contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. The accounting policy for contract revenue is stated in (s) below.

Installation contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Amounts due from contract customers". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Amounts due to contract customers". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the statement of financial position under "Trade and other payables".

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(l) Trade, bills and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bill and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(n) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

When the outcome of an installation contract can be estimated reliably, revenue from a fixed price installation contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

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

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(v) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(z) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(bb) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Legal titles of certain buildings

As stated in note 19 to the consolidated financial statements, the Group is in the process of applying for the property rights certificates in respect of certain buildings. Despite the fact that the Group has not obtained all the relevant legal titles, the directors determined to recognise those buildings as property, plant and equipment on the ground that the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2016 was RMB183,354,000 (2015: RMB192,241,000).

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB7,630,000. Details of the goodwill are provided in note 21 to the consolidated financial statements.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, bills and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, bills and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2016, accumulated impairment loss for bad and doubtful debts amounted to RMB16,705,000 (2015: RMB17,571,000).

(d) Allowance for obsolete and slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 31 December 2016, allowance for obsolete and slow-moving inventories amounted to RMB3,073,000 (2015: RMB3,073,000).

(e) Income taxes

The 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. During the year, RMB7,586,000 (2015: RMB8,136,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The 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 Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2016 and 31 December 2015 are as follows:

Group	Exposure to foreign currencies					
	2016			2015		
	United States dollars	Euro	Hong Kong dollars	United States dollars	Euro	Hong Kong dollars
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits and bank and cash balances	2,514	–	5,778	22	2	14,737
Amounts due from an associate	–	2,151	–	–	75,289	–
Trade payable	(40)	–	–	–	–	–
Accrued charges	–	–	(2,755)	–	–	(4,308)
	2,474	2,151	3,023	22	75,291	10,429

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

The following table details the 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.

	Increase/(decrease) in profit and other comprehensive income for the year	
	2016	2015
	RMB'000	*RMB'000*
– if RMB weakens against foreign currencies		
Hong Kong dollars ("HKD")	151	521
United States dollars ("USD")	124	1
Euro ("EUR")	108	3,765
– if RMB strengthens against foreign currencies		
HKD	(151)	(521)
USD	(124)	(1)
EUR	(108)	(3,765)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure and does not reflect the exposure during the year.

(b) Credit risk

The Group's credit risk is primarily attributable to its 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 Group's credit risk is significantly reduced.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not provide any other guarantees which would expose the Group to credit risk.

(c) Liquidity risk

The 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 maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	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 31 December 2016					
Trade and other payables	182,264	–	–	–	182,264
Bank borrowings	10,203	–	–	–	10,203
Provision	16,224	–	–	–	16,224
At 31 December 2015					
Trade and other payables	265,053	–	–	–	265,053
Bank borrowings	41,423	–	–	–	41,423

(d) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

	2016	2015
Reasonably possible change in interest rate	50 basis points	50 basis points
	(Decrease)/increase in profit and other comprehensive income for the year	
	RMB'000	*RMB'000*
– as a result of increase in interest rate	(133)	(376)
– as a result of decrease in interest rate	133	376

(e) Categories of financial instruments

	2016	2015
	RMB'000	*RMB'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	383,285	476,023
Financial liabilities:		
Financial liabilities at amortised cost	208,488	224,347

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

Revenue from continuing operations represents the proceeds of sale of fire engines and fire prevention and fighting equipment during the year less discounts and sales related tax.

8. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Interest income	2,752	2,580
Gain on disposal of subsidiaries	–	1,134
Government grants *(note)*	1,634	1,347
Rental income	192	345
Sundry income	1,469	1,483
	6,047	6,889

Note: The government grants represent subsidies provided by government organisations or authorities in the PRC for subsidising certain research and development projects conducted by the Group's subsidiaries.

9. SEGMENT INFORMATION

The Group has two operating segments as follows:

– production and sale of fire engines; and

– production and sale of 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 accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, gain on disposal of subsidiaries, other expense, share of profit of associates, income tax expense and finance costs. Segment assets do not include investment in an associate, amounts due from an associate, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings, provision and unallocated other payables.

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

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Production and sale of fire engines	**Production and sale of fire prevention and fighting equipment**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2016				
REVENUE				
External sales	370,369	100,883	–	471,252
Inter-segment sales	–	–	–	–
Total	370,369	100,883	–	471,252
RESULTS				
Segment profit	45,000	5,591		50,591
Interest income				2,752
Unallocated corporate expenses				(13,728)
Profit from operations				39,615
Finance costs				(1,400)
Other expense				(16,224)
Share of profit of an associate				2,881
Profit before tax				24,872
Income tax expense				(7,586)
Profit for the year from continuing operations				17,286

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016				
ASSETS				
Segment assets	557,346	85,027		642,373
Investment in an associate				518,993
Amount due from an associate				2,151
Pledged bank deposits				3,270
Bank and cash balances				132,576
Unallocated other receivables				11,296
				1,310,659
LIABILITIES				
Segment liabilities	166,939	56,571		223,510
Current tax liabilities				5,171
Bank borrowings				10,000
Provision				16,224
Unallocated other payables				2,755
				257,660
OTHER INFORMATION				
Additions to non-current assets	1,360	685		2,045
Depreciation and amortisation	10,366	1,232		11,598
Impairment loss for bad and doubtful debts	266	73		339
Loss on disposal of property, plant and equipment	31	19		50

	Production and sale of fire engines *RMB'000*	Production and sale of fire prevention and fighting equipment *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2015				
REVENUE				
External sales	438,685	126,493	–	565,178
Inter-segment sales	337	2,739	(3,076)	–
Total	439,022	129,232	(3,076)	565,178
RESULTS				
Segment profit	45,585	15,694		61,279
Interest income				2,580
Gain on disposal of subsidiaries				1,134
Unallocated corporate expenses				(24,427)
Profit from operations				40,566
Finance costs				(4,538)
Share of profit of associates				15,137
Profit before tax				51,165
Income tax expense				(8,136)
Profit for the year from continuing operations				43,029

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Elimination RMB'000	Total RMB'000
At 31 December 2015				
ASSETS				
Segment assets	547,978	148,054		696,032
Investment in an associate				419,532
Amount due from an associate				75,289
Pledged bank deposits				10,726
Bank and cash balances				105,059
Unallocated other receivables				10,588
				1,317,226
LIABILITIES				
Segment liabilities	189,244	71,433		260,677
Current tax liabilities				5,586
Bank borrowings				40,000
Unallocated other payables				4,376
				310,639
OTHER INFORMATION				
Additions to non-current assets	694	538		1,232
Allowance for obsolete and slow moving inventories	–	116		116
Depreciation and amortisation	9,040	2,573		11,613
Impairment loss for bad and doubtful debts	81	72		153
Loss on disposal of property, plant and equipment	203	121		324

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC	471,252	551,061	223,538	233,215
Germany	–	–	518,993	419,532
Others	–	14,117	1	5
	471,252	565,178	742,532	652,752

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2015 and 2016.

10. FINANCE COSTS

	2016	**2015**
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank borrowings	1,400	4,538

11. OTHER EXPENSE

	2016	**2015**
	RMB'000	*RMB'000*
Provision for a legal claim in respect of a rental dispute *(note 30)*	16,224	–

12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	7,910	7,316
(Over)/under-provision in prior years	(324)	820
	7,586	8,136

No provision for Hong Kong Profits Tax has been made for 2015 and 2016 as the relevant group entities had no assessable profits for both years.

Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

In accordance with the enterprise income tax laws in the PRC, the statutory tax rate for PRC operations is 25% from 1 January 2008. However, certain of the Group's subsidiaries are qualified as High and New Technology Enterprises and are entitled to reduction in the PRC statutory income tax rate. The relevant tax rates for the Group's subsidiaries in the PRC range from 15% to 25% (2015: 15% to 25%).

The reconciliation between the income tax expense and profit before tax at applicable tax rates is as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax (from continuing operations)	24,872	51,165
Tax at the PRC Enterprise Income Tax rate of 25% (2015: 25%)	6,218	12,791
Tax effect of income that is not taxable	(1,271)	(13,292)
Tax effect of expenses that are not deductible	12,399	25,298
Tax effect of temporary differences not recognised	(4,689)	(12,516)
Tax effect of share of results of associates	(721)	(3,784)
Tax effect attributable to tax concessions	(5,273)	(4,266)
Tax effect of tax losses not recognised	823	2,596
(Over)/under – provision in prior years	(324)	820
Effect of different tax rates of subsidiaries	424	489
Income tax expense (relating to continuing operations)	7,586	8,136

13. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's profit for the year from continuing operations is stated after charging/(crediting) the following:

	2016	2015
	RMB'000	*RMB'000*
Allowance for obsolete and slow-moving inventories	–	116
Amortisation of prepaid land lease payments	794	794
Auditor's remuneration	1,383	1,126
Cost of inventories sold *(note (i))*	363,991	453,369
Depreciation of property, plant and equipment	10,804	10,819
Gain on disposal of subsidiaries	–	(1,134)
Impairment loss for bad and doubtful debts	339	153
Loss on disposal of property, plant and equipment	50	324
Net foreign exchange gain	(1,826)	(2,916)
Operating lease charges in respect of rented premises	2,252	1,383
Provision for a legal claim in respect of a rental dispute	16,224	–
Research and development expenditure *(note (ii))*	18,622	16,874
Unrecoverable amounts due from associates written off	–	1,268

Notes: (i) Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and operating lease charges of approximately RMB31,587,000 (2015: RMB32,155,000) which are included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB5,699,000 (2015: RMB5,355,000) which are included in the amounts disclosed separately above.

14. DISCONTINUED OPERATIONS

For the year ended 31 December 2015, discontinued operations referred to the Group's two business units: provision of installation of fire prevention and fighting systems services and provision of maintenance of fire prevention and fighting systems services. The Group entered into a sale and purchase agreement to dispose of the entire equity interests in a group of subsidiaries that had been engaged mainly in the two business units on 27 February 2015 and decided to cease operating the relevant businesses upon completion of the disposal. The disposal was completed in April 2015.

As the disposal of the subsidiaries constituted a discontinuance of major lines of business, the profit or loss of the respective subsidiaries were classified as discontinued operations and disclosed separately as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Loss for the year from discontinued operations:		
Revenue	–	97,221
Cost of sales and services	–	(94,178)
Gross profit	–	3,043
Other income	–	57
Administrative expenses	–	(15,298)
Loss before tax	–	(12,198)
Income tax expense	–	(1,348)
	–	(13,546)
Gain on disposal of subsidiaries	–	961
Loss for the year from discontinued operations attributable to owners of the Company	–	(12,585)

	2016	**2015**
	RMB'000	*RMB'000*
Loss for the year from discontinued operations include the following:		
Gain on disposal of subsidiaries	–	(961)
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	–	2,323
Retirement benefit scheme contributions	–	293
	–	2,616
Cash flows from discontinued operations:		
Net cash outflow from operating activities	–	(21,442)
Net cash outflow from investing activities	–	(14,028)
Net cash outflow	–	(35,470)

15. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	2016						2015					
	Fees	Salaries	Discretionary bonus	Retirement benefits scheme contribution	Estimated money value of other benefit	Total	Fees	Salaries	Discretionary bonus	Retirement benefits scheme contribution	Estimated money value of other benefit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*
Non-executive directors												
Dr. Li Yin Hui *(note ii)*	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Yu Yu Qun *(note iii)*	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Robert Johnson *(note iii)*	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Jiang Qing *(note iv)*	–	140	–	2	296	438	–	–	–	–	–	–
	–	140	–	2	296	438	–	–	–	–	–	–
Executive directors												
Mr. Jiang Xiong	–	1,286	–	8	310	1,604	–	1,158	–	–	146	1,304
Mr. Zheng Zu Hua *(note ii)*	205	796	–	4	–	1,005	–	–	–	–	–	–
Mr. Luan You Jun *(note ii)*	272	–	–	–	–	272	–	–	–	–	–	–
Mr. Jiang Qing *(note iv)*	–	259	–	4	562	825	–	1,013	–	8	1,024	2,045
Mr. Wang De Feng *(note v)*	–	–	–	–	–	–	84	252	–	17	–	353
Ms. Weng Xiu Xia *(note v)*	–	–	–	–	–	–	84	30	–	4	–	118
Mr. Hu Yong *(note v)*	–	–	–	–	–	–	84	268	–	15	–	367
	477	2,341	–	16	872	3,706	252	2,721	–	44	1,170	4,187
Independent non-executive directors												
Dr. Loke Yu	206	–	–	–	310	516	161	–	–	–	146	307
Mr. Heng Ja Wei	206	–	–	–	310	516	161	–	–	–	146	307
Mr. Ho Man *(note ii)*	206	–	–	–	155	361	77	–	–	–	73	150
Ms. Sun Guo Li *(note v)*	–	–	–	–	–	–	84	–	–	–	–	84
	618	–	–	–	775	1,393	483	–	–	–	365	848
	1,095	2,481	–	18	1,943	5,537	735	2,721	–	44	1,535	5,035

Notes:

(i) Estimated money values of other benefit represents share-based payments.

(ii) Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Ho Man were appointed on 29 July 2015. Mr. Zheng Zu Hua was re-designated from non-executive director to executive director on 5 April 2016.

(iii) Mr. Yu Yu Qun and Mr. Robert Johnson were appointed on 26 May 2016.

(iv) Mr. Jiang Qing was re-designated from executive director to non-executive director on 5 April 2016. He subsequently resigned on 26 May 2016 but continue to be employed as the Chief Business Development Officer of the Company. His total emoluments for 2016 was RMB3,099,000 which comprises salaries of RMB916,000; retirement benefit scheme contribution of RMB15,000 and share-based payments of RMB2,168,000.

(v) Mr. Wang De Feng, Ms. Weng Xiu Xia, Mr. Hu Yong and Ms. Sun Guo Li resigned on 29 July 2015.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Jiang Qing waived a bonus of RMB10,000,000 granted to him during the year. Save as disclosed above, there was no other arrangement under which a director waived or agreed to waive any emoluments (2015: RMBNil).

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

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

16. EMPLOYEE BENEFITS EXPENSE

	2016	**2015**
	RMB'000	*RMB'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	42,502	40,943
Equity-settled share-based payments	8,559	4,111
Retirement benefit scheme contributions	7,654	8,202
	58,715	53,256

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2015: two) directors, whose emoluments are included in note 15 to the consolidated financial statements. The emoluments of the remaining three (2015: three) individuals are set out below:

	2016	**2015**
	RMB'000	*RMB'000*
Salaries and other benefits	1,942	1,749
Equity-settled share-based payments	2,449	817
Retirement benefit scheme contributions	68	54
	4,459	2,620

The emoluments fell within the following bands:

	Number of individuals	
	2016	**2015**
Nil to HKD1,000,000 (equivalent to RMB899,800)	–	*2*
HKD1,000,001 to HKD2,000,000 (equivalent to RMB899,801 to RMB1,799,600)	3	1
	3	3

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: RMBNil).

17. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Interim dividend of HK3 cents per share, paid on 31 July 2015	–	69,496

The directors recommended an interim dividend of HK3 cents per share of the Company to be paid entirely out of the share premium account of the Company on 5 June 2015. The interim dividend was approved by the shareholders of the Company at an extraordinary general meeting on 24 June 2015 and was subsequently paid on 31 July 2015.

Save as disclosed above, no dividend was declared or paid for the year ended 31 December 2015 and 2016.

18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	From continuing and discontinued operations	
	2016	2015
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	17,286	18,611
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,078,571	3,441,644
Effect of dilutive potential ordinary shares arising from share options issued by the Company	–	883
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	4,078,571	3,442,527

	From continuing operations		From discontinued operations	
	2016	2015	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year attributable to owners of the Company	17,286	31,196	–	(12,585)

There was no dilutive potential ordinary shares in relation to the share options as the average market price of the shares for the year ended 31 December 2016 was lower than the exercise price of the share options.

From discontinued operations

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings/(loss) per share are the same. The basic and diluted loss per share from discontinued operations for 2015 were RMB0.37 cent per share.

19. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings	Plant and equipment	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2015	267,277	21,891	3,278	2,100	10,481	1,109	306,136
Additions	176	915	6	135	–	–	1,232
Disposals	(86)	(1,186)	(972)	(907)	(463)	–	(3,614)
Disposal of subsidiaries	–	(735)	(232)	(362)	(4,845)	(1,072)	(7,246)
At 31 December 2015 and 1 January 2016	267,367	20,885	2,080	966	5,173	37	296,508
Additions	539	1,059	102	238	107	–	2,045
Disposals	–	–	–	–	(851)	–	(851)
At 31 December 2016	267,906	21,944	2,182	1,204	4,429	37	297,702
Accumulated depreciation and impairment							
At 1 January 2015	80,218	11,722	1,899	1,491	7,390	1,100	103,820
Charge for the year	7,954	1,908	364	172	413	8	10,819
Disposals	(77)	(963)	(875)	(819)	(403)	–	(3,137)
Disposal of subsidiaries	–	(735)	(226)	(357)	(4,846)	(1,071)	(7,235)
At 31 December 2015 and 1 January 2016	88,095	11,932	1,162	487	2,554	37	104,267
Charge for the year	7,928	1,973	362	144	397	–	10,804
Disposals	–	–	–	–	(723)	–	(723)
At 31 December 2016	96,023	13,905	1,524	631	2,228	37	114,348
Carrying amount							
At 31 December 2016	171,883	8,039	658	573	2,201	–	183,354
At 31 December 2015	179,272	8,953	918	479	2,619	–	192,241

At 31 December 2016, the Group was in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB80,192,260 (2015: RMB83,953,000).

20. PREPAID LAND LEASE PAYMENTS

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	34,143	34,937
Amortisation of prepaid land lease payments	(794)	(794)
At 31 December	33,349	34,143
Current portion	(794)	(794)
Non-current portion	32,555	33,349

21. GOODWILL

	2016	2015
	RMB'000	*RMB'000*
Cost		
At 1 January	7,630	17,762
Derecognised on disposal of subsidiaries	–	(10,132)
At 31 December	7,630	7,630
Accumulated impairment losses		
At 1 January	–	10,132
Derecognised on disposal of subsidiaries	–	(10,132)
At 31 December	–	–
Carrying amount		
At 31 December	7,630	7,630

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 amount of goodwill (net of accumulated impairment losses) as at 31 December 2015 and 2016 is allocated as follows:

	2016	2015
	RMB'000	*RMB'000*
Production and sale of fire engines	7,630	7,630

The recoverable amount of the above CGU has been determined on the basis of its value in use calculation using discounted cash flow method. The cash flow projection was based on financial budget approved by management covering a five-year period, and pre-tax discount rate at 15.27% (2015: 17.76%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 1% (2015: 1%). This growth rate is based on the forecast of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculation included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGU's historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amount.

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
Wang Sing Technology Limited/ limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100% *(note (i))*	Investment holding
Allied Best Holdings Limited/ limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
萃聯（中國）消防設備製造有限公司 Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,000,000	100%	Production and sale of fire prevention and fighting equipment
CFE Appliances Investment Company Limited/ limited liability company	Hong Kong	Ordinary shares of HKD1,000	100%	Investment holding
Profit Asia International Trading Limited/ limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
四川川消消防車輛製造有限公司 Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd./ sino-foreign equity joint venture	PRC	Registered capital of RMB80,640,000	100%	Production and sale of fire engines and fire prevention and fighting equipment

Note: (i) Shares held directly by the Company.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

At 31 December 2016, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB127,554,000 (2015: RMB101,024,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. INVESTMENT IN AN ASSOCIATE

	2016	2015
	RMB'000	*RMB'000*
Unlisted investments:		
Share of net assets	217,138	135,426
Goodwill	301,855	284,106
	518,993	419,532

Details of the Group's associate at 31 December 2016 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Albert Ziegler GmbH("Ziegler")/limited liability company	Germany	EUR13,543,000	40%	Production and sale of fire engines and fire prevention and fighting equipment

The Group completed the acquisition of 40% equity interests in Ziegler on 10 July 2015. The Company issued 1,223,571,430 shares, representing 30% issued share capital of the Company to CIMC Top Gear B.V. ("CIMC Top Gear", a wholly owned subsidiary of China International Marine Containers (Group) Co., Ltd. ("CIMC")) as purchase consideration. The closing price of the Company's shares as quoted on the Stock Exchange on the date of completion was HKD0.48 per share, giving rise to a total consideration of HKD587,314,000 (equivalent to approximately RMB470,849,000 at date of acquisition). Consideration paid amounted to EUR10,356,000 was for acquiring 40% of the shareholders loan advanced by CIMC Top Gear to Ziegler (on a 1:1 basis) at the date of completion which was recognised as amount due from an associate. During the year, the Group and CIMC Top Gear resolved to waive the shareholders loans and approved Ziegler to convert the said loans into Ziegler's capital reserves on 1 December 2016 (note 26).

The following table shows information on Ziegler, which is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the financial statements of Ziegler and its subsidiaries prepared in accordance with the International Financial Reporting Standards.

	Ziegler	
	2016	2015
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	398,404	408,391
Current assets	949,677	916,991
Non-current liabilities	(74,131)	(86,651)
Current liabilities	(729,179)	(898,545)
Non-controlling interests	(1,926)	(1,621)
Net assets	542,845	338,565
The Group's 40% share of net assets	217,138	135,426
Goodwill	301,855	284,106
The Group's share of carrying amount of interests	518,993	419,532

The change in balance of goodwill represents the exchange difference arising from the translation of the goodwill, which is denominated in the functional currency of Ziegler, into RMB at the closing rate at 31 December 2016.

	For the year ended 31 December 2016 *RMB'000*	For the period from 10 July to 31 December 2015 *RMB'000*
Revenue	1,620,019	790,785
Profit from continuing operations	7,201	38,092
Other comprehensive income	408	–
Total comprehensive income	7,609	38,092
The Group's 40% share of profit	2,881	15,236
The Group's 40% share of other comprehensive income	164	–

At 31 December 2015 and 2016, Ziegler has no bank and cash balances in the PRC denominated in RMB.

The following table shows, in aggregate the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method for the year ended 31 December 2015.

	2015 *RMB'000*
At 31 December 2015	
Carrying amounts of interests	–
Year ended 31 December 2015 (up to the date of disposal)	
Loss from continuing operations	99
Total comprehensive income	99

The Group disposed of the following investments in associates during the year ended 31 December 2015.

Name/type of legal entity	Percentage of ownership interest	Principal activities
北京特威特國際環保科技有限公司 Beijing TWT International Technical Co., Ltd./ limited liability enterprise	45%	Production and sale of fire suppression foam
四川神劍消防科技有限公司 Sichuan Shenjian Fire Fighting Science & Technology Co., Ltd./limited liability enterprise	40%	Production and sale of fire prevention and fighting equipment

The disposal of the associates during the year ended 31 December 2015 did not generate any gain or loss.

24. INVENTORIES

Inventories represent fire engines and fire prevention and fighting equipment.

	2016	**2015**
	RMB'000	*RMB'000*
Raw materials	25,895	34,312
Work in progress	32,117	32,423
Finished goods	80,220	69,980
	138,232	136,715

The above inventories are stated at lower of cost and net realisable value.

25. TRADE AND BILLS RECEIVABLES

	2016	**2015**
	RMB'000	*RMB'000*
Trade and bills receivables	224,238	289,802
Less: Impairment loss for bad and doubtful debts	(16,705)	(17,571)
	207,533	272,231

The Group allows an average credit period of 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The aging analysis of trade and bills receivables, based on the invoice date and net of impairment loss for bad and doubtful debts, is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
0 – 90 days	91,292	124,305
91 – 180 days	42,095	85,583
181 – 360 days	35,705	18,990
Over 360 days	38,441	43,353
	207,533	272,231

The carrying amount of the Group's trade and bills receivables at 31 December 2015 and 2016 were all denominated in RMB.

As at 31 December 2016, trade and bills receivables of RMB74,146,000 (2015: RMB62,343,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
181 – 360 days	35,705	18,990
Over 360 days	38,441	43,353
	74,146	62,343

Reconciliation of impairment loss for bad and doubtful debts:

	2016	**2015**
	RMB'000	*RMB'000*
At 1 January	17,571	17,588
Impairment loss for the year	339	153
Amounts written off	(1,205)	(168)
Disposal of subsidiaries	–	(2)
At 31 December	16,705	17,571

The management closely monitors the credit quality of the trade receivables and considers the trade receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Group, trade receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality and loss event of these customers. Impairment loss for bad and doubtful debts recognised for 2015 and 2016 were on trade receivables which were either aged over two years or customers which had either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

26. AMOUNT DUE FROM AN ASSOCIATE

	2016	**2015**
	RMB'000	*RMB'000*
Loan	–	74,584
Interest	2,151	705
	2,151	75,289

The loan due from Ziegler at 31 December 2015 was unsecured and interest bearing as follows:

At 31 December 2015			
In original currency	**Equivalent to**	**Interest rate**	**Repayment**
EUR'000	*RMB'000*		
596	4,292	1.7451% p.a.	On demand
9,760	70,292	3 months Euribor + 2%	5 December 2016
10,356	74,584		

The loan represented the shareholders loan advanced to Ziegler. During the year, the Group and CIMC Top Gear resolved to waive the shareholders loans and approved Ziegler to convert the loans into capital reserves on 1 December 2016. The interest due was fully settled by Ziegler in January 2017.

27. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 0.35% (2015: Nil to 1.025%) per annum.

The pledged bank deposits are mainly for securing banking facilities granted to the Group and carry interest at 0.35% (2015: 0.35%) per annum.

As at 31 December 2016, pledged bank deposit and bank and cash balances of the Group in PRC denominated in RMB amount to RMB127,554,000 (2015: RMB101,024,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. TRADE AND OTHER PAYABLES

	2016	**2015**
	RMB'000	*RMB'000*
Trade payables	106,397	95,757
Accrued charges	61,312	69,459
Receipts in advance	44,001	80,706
Value added tax, sales tax and other levies	14,555	19,131
	226,265	265,053

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

	2016	**2015**
	RMB'000	*RMB'000*
0 – 30 days	50,480	44,865
31 – 60 days	12,292	15,424
61 – 90 days	7,892	12,818
Over 90 days	35,733	22,650
	106,397	95,757

Except for the part of the accrued charges and trade payables as disclosed in note 6(a) to the consolidated financial statements which were denominated in HKD and USD respectively, the carrying amount of the Group's trade and other payables at 31 December 2015 and 2016 were all denominated in RMB.

29. BANK BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Bank loans, unsecured	10,000	40,000

The Group's bank borrowings at 31 December 2015 and 2016, were all denominated in RMB and were due for settlement within 12 months (shown under current liabilities).

The bank loans were guaranteed by subsidiaries of the Company.

The average interest rates for the year ended 31 December are as follows:

	2016	2015
Bank loans	5.315%	6.06%

The interest rates for the bank loans outstanding at 31 December 2016 were arranged at 110% to 118% (2015: 110% to 118%) of the benchmark interest rate as stipulated by the People's Bank of China and expose the Group to cash flow interest rate risk.

30. PROVISION

	RMB'000
At 1 January 2016	–
Addition	16,224
At 31 December 2016	16,224

The provision represents a legal claim in respect of a rental dispute brought against the Group by a lessor for the unsettle rental expenses. The provision is made based on the court written judgement and the management estimation.

31. DEFERRED TAX

At 31 December 2016, the Group has unused tax losses of RMB143,300,000 (2015: RMB93,500,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. As at 31 December 2015 and 2016, all tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and an associate for which deferred tax liabilities have not been recognised is RMB192,682,000 (2015: RMB160,828,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

32. SHARE CAPITAL

	Number of shares	Amount *HKD'000*
Authorised:		
Shares of HKD0.01 (2015: HKD0.01) each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	100,000
Issued and fully paid:		
Shares of HKD0.01 (2015: HKD0.01) each		
At 1 January 2015	2,855,000,000	28,550
Shares issued for acquisition of an associate *(note 23)*	1,223,571,430	12,236
At 31 December 2015, 1 January 2016 and 31 December 2016	4,078,571,430	40,786

	2016 *RMB'000*	**2015** *RMB'000*
Shown in the consolidated financial statements as	39,977	39,977

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as total debt divided by adjusted capital. Total debt comprises bank borrowings. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the debt-to-adjusted capital ratio at reasonable level. The debt-to-adjusted capital ratios at 31 December 2015 and at 31 December 2016 were as follows:

	2016 *RMB'000*	**2015** *RMB'000*
Total debt	10,000	40,000
Adjusted capital	1,052,999	1,006,587
Debt-to-adjusted capital ratio	1%	4%

The decrease in the debt-to-adjusted capital ratio during 2016 resulted primarily from the repayments of bank borrowings.

The externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares restricted throughout the year.

The Company was not informed of any change in the Company's shareholdings that would lead to its non-compliance with the 25% public float requirement throughout the year.

33. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The shareholders of the Company adopted a share option scheme on 29 May 2009 which shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

The purpose of the Scheme is to advance the interests of the Company and its shareholders by offering the eligible persons a performance incentive for better services and loyalty with the Company and its subsidiaries and enhancing such persons' contributions to the Group by share ownership. A duly authorised committee of the board of directors of the Company may, at its absolute discretion, offer any full-time employee of the Company or any its subsidiaries, including any executive and non-executive directors of the Company or any of its subsidiaries options to subscribe for shares on the terms set out in the Scheme.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The total number of shares available for issue under the Scheme is 285,500,000 shares, representing 7% of the Company's issued share capital as at the date of this report.

Details of the movement of share options during the year are as follows:

	2016		2015	
	No. of share options	**Exercise price** *HKD*	**No. of share options**	**Exercise price** *HKD*
Outstanding at 1 January	115,625,000	0.42	–	–
Granted during the year	–	–	115,625,000	0.42
Expired during the year	–	–	–	–
Outstanding at 31 December	115,625,000	0.42	115,625,000	0.42
Exercisable at end of the year	–	–	–	–

The share options outstanding at 31 December 2015 and 2016 were granted to certain directors of the Company and certain employees of the Group on 26 August 2015. The share options granted will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive) but cannot be exercised until they are vested which shall be on the earliest of the following dates:

(i) the first business day after the second anniversary of 10 July 2015, being the date on which CIMC first becoming a controlling shareholder (as defined in the Listing Rules) of the Company;

(ii) the first business day after the day on which CIMC disposed of any number of shares it held such that its shareholdings in the Company will decrease to below 30%; and

(iii) the first business day after the day on which CIMC's shareholdings in the Company increased to an extent that exercise of all the share options that were granted on 26 August 2015 will not dilute its shareholdings in the Company to below 30%.

All of the share options outstanding at 31 December 2016 have not yet been vested and therefore not exercisable.

The estimated fair value of the share options granted on 26 August 2015, as calculated using the Binomial pricing model, was HKD19,956,000. The inputs into the model were as follows:

	2015
Share price at date of grant	HKD0.365
Exercise price	HKD0.42
Expected volatility	55.5%
Expected life of options	10 years
Risk free rate	1.684%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous ten years.

For the year ended 31 December 2016, employee's share-based payment of approximately HKD9,983,000 (equivalent to approximately RMB8,559,000) (2015: HKD4,989,000 (equivalent to approximately RMB4,111,000)) has been charged to the Group's profit for the year with a corresponding credit to the share-based payment reserve.

34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

(ii) Capital reserve

The capital reserve represents the share premium arising from the issue of shares of a subsidiary to the investors under the group reorganisation.

(iii) Statutory surplus reserve

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate 10% or an amount to be determined by the directors of their respective profits after tax in accordance with the relevant PRC accounting rules and financial regulations before any distribution of dividends to equity holders each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital. In normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into capital and expansion of their respective production facilities and operations.

(iv) Statutory public welfare fund

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate from their respective profits after tax at the rate of 5% to 10% or an amount to be determined by the directors to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. The statutory public welfare fund forms part of the equity and is non-distributable other than upon liquidation.

(v) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(u) to the consolidated financial statements.

(vi) Exchange reserve

Group

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

Company

The exchange reserve arose from the change of functional currency of the Company from HKD to RMB in prior year.

(vii) Other reserve

The other reserve represents the share of other comprehensive income of an associate.

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	187,567	187,567
Current assets		
Prepayments, deposits and other receivables	44	40
Amounts due from subsidiaries	801,567	798,594
Bank and cash balances	4,743	13,760
	806,354	812,394
Current liabilities		
Accrued charges	1,793	2,843
Net current assets	804,561	809,551
NET ASSETS	992,128	997,118
Capital and reserves		
Share capital	39,977	39,977
Reserves	952,151	957,141
	992,128	997,118

Approved by the Board of Directors on 27 March 2017 and are signed on its behalf by:

Li Yin Hui	**Jiang Xiong**
Director	*Director*

(b) Reserve movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000 (Note 34(b)(vi))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	646,363	170,607	–	(3,342)	(146,676)	666,952
Total comprehensive income for the year	–	–	–	–	(105,466)	(105,466)
Issue of shares for acquisition of an associate *(note 23)*	461,040	–	–	–	–	461,040
Payment of interim dividend out of share premium account *(note 17)*	(69,496)	–	–	–	–	(69,496)
Share-based payments	–	–	4,111	–	–	4,111
At 31 December 2015 and 1 January 2016	1,037,907	170,607	4,111	(3,342)	(252,142)	957,141
Total comprehensive income for the year	–	–	–	–	(13,549)	(13,549)
Share-based payments	–	–	8,559	–	–	8,559
At 31 December 2016	1,037,907	170,607	12,670	(3,342)	(265,691)	952,151

36. ACQUISITION OF NON-CONTROLLING INTERESTS

The Group acquired an additional 25% equity interest in Sichuan Chuanxiao in December 2015 for a cash consideration of RMB37,000,000, increasing its ownership from 75% to 100%. The carrying amount of the non-controlling interests at the date of acquisition was approximately RMB65,869,000.

37. DISPOSAL OF SUBSIDIARIES

In 2015, the Group disposed of all the equity interests held in the following subsidiaries:

Name of subsidiary/type of legal entity	Percentage of ownership interests held by the Group	Principal activities
萃聯（上海）貿易有限公司 Allied Best (Shanghai) Trading Co., Ltd./ limited liability enterprise	100%	Trading of fire prevention and fighting equipment
CFE Investment Limited/limited liability company	100%	Investment holding
川消消防工程有限公司 Chuanxiao Fire Engineering Company Limited/limited liability enterprise	100%	Provision of fire prevention and fighting system installation services and maintenance services
福州市萬友消防設備有限公司 Fuzhou Wanyou Fire Equipment Co., Ltd./wholly foreign-owned enterprise	100%	Production and sale of fire prevention and fighting equipment
金格邏博網絡技術有限公司 Jinge Luobo Network Technologies Co., Ltd./limited liability enterprise	100%	Provision on on-line advertising services
Loyal Asset Investment Holdings Limited/limited liability company	100%	Investment holding
四川萬山福特種消防裝備制造有限公司 Sichuan Wan Shan Fu Special Fire Equipment Manufacturing Co., Ltd./ limited liability enterprise	100%	Production and sale of fire prevention and fighting equipment
萬友消防工程集團有限公司 Wanyou Fire Engineering Group Company Limited/limited liability enterprise	100%	Provision of fire prevention and fighting system installations ervices and maintenance services

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	2015 Continuing operations *RMB'000*	2015 Discontinued operations *RMB'000*	2015 Total *RMB'000*
Property, plant and equipment	5	6	11
Retention receivables	–	329	329
Trade and bills receivables	2,675	535,214	537,889
Impairment loss for bad and doubtful debts	(2,675)	(401,484)	(404,159)
Amounts due from contract customers	–	246,659	246,659
Bank and cash balances	217	16,079	16,296
Trade and other payables	(852)	(313,345)	(314,197)
Amounts due to contract customers	–	(29,415)	(29,415)
Current tax liabilities	(1)	(509)	(510)
Deferred tax liabilities	–	(4,495)	(4,495)
Net (liabilities)/assets disposed of	(631)	49,039	48,408
Release of exchange reserve	(493)	–	(493)
	(1,124)	49,039	47,915
Gain on disposal of subsidiaries	1,134	961	2,095
Total consideration	10	50,000	50,010
Satisfied by:			
Cash consideration received	10	50,000	50,010
Net cash (outflow)/inflow arising on disposal:			
Cash consideration received	10	50,000	50,010
Bank and cash balances disposed of	(37)	(16,259)	(16,296)
	(27)	33,741	33,714

38. CAPITAL COMMITMENTS

At 31 December 2016, the Group's capital commitments are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Property, plant and equipment	14,205	16,250

39. OPERATING LEASE COMMITMENTS

As lessee

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Within one year	1,991	1,799
In the second to fifth year inclusive	3,366	3,742
	5,357	5,541

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

As lessor

At 31 December 2016, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Within one year	–	553
In the second to fifth year inclusive	–	569
	–	1,122

40. RETIREMENT BENEFIT SCHEMES

The group entities operating in the PRC participate in a state-managed retirement benefit plan operated by the government of the PRC. All eligible PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at 19% (2015: 18% to 21%) of the basic salary of its eligible PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2016 amounted to RMB7,566,000 (2015: RMB8,408,000).

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme. During the year ended 31 December 2016, the Group made to the MPF Scheme contributions amounting to RMB88,000 (2015: RMB87,000).

41. RELATED PARTY TRANSACTIONS

(a) 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 year:

	2016	**2015**
	RMB'000	*RMB'000*
Finished goods purchased from associates	–	221
Finished goods sold to associates	–	7
Interest income receivable from an associate	1,420	705
Rental income received from associates	–	75

(b) The key management personnel are the directors. The details of the remuneration paid to them are set out in note 15 to the consolidated financial statements.

42. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2016 (2015: RMBNil).

43. EVENT AFTER THE REPORTING PERIOD

The Group acquired the entire equity interest of 四川川消汽車服務有限公司, a company incorporated in Sichuan and engaged mainly in the provision of fire engines maintenance services, on 8 February 2017.

The audited consolidated financial statements of CFE for the nine months ended 30 September 2017 are set out as below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2017

	Note	For the nine months ended 30 September 2017 *RMB'000*	For the nine months ended 30 September 2016 *RMB'000* (unaudited)	For the year ended 31 December 2016 *RMB'000*
Revenue	7	323,997	335,621	471,252
Cost of sales		(252,583)	(264,391)	(363,991)
Gross profit		71,414	71,230	107,261
Other income	8	5,684	3,683	6,047
Selling and distribution costs		(13,745)	(8,916)	(14,779)
Administrative expenses		(52,714)	(52,467)	(58,914)
Profit from operations		10,639	13,530	39,615
Share of profit/(loss) of an associate		13,611	(3,960)	2,881
Finance costs	10	(131)	(1,269)	(1,400)
Other expense	11	–	–	(16,224)
Profit before tax		24,119	8,301	24,872
Income tax expense	12	(5,949)	(6,142)	(7,586)
Profit for the period/year attributable to owners of the Company	13	18,170	2,159	17,286
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations		36,429	4,981	20,403
Share of other comprehensive income of an associate		(851)	159	164
Other comprehensive income for the period/year, net of tax		35,578	5,140	20,567
Total comprehensive income for the period/year		53,748	7,299	37,853
Earnings per share (RMB cent)	15			
Basic		0.45	0.05	0.42
Diluted		0.45	0.05	0.42

Consolidated Statement of Financial Position

As at 30 September 2017

	Note	As at 30 September 2017 RMB'000	As at 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	16	177,079	183,354
Prepaid land lease payments	17	31,959	32,555
Goodwill	18	7,630	7,630
Investment in an associate	20	568,182	518,993
		784,850	742,532
Current assets			
Inventories	21	146,111	138,232
Trade and bills receivables	22	247,167	207,533
Prepayments, deposits and other receivables		92,474	83,571
Amount due from an associate	23	–	2,151
Prepaid land lease payments	17	794	794
Other current assets	24	8,500	–
Pledged bank deposits	25	6,675	3,270
Bank and cash balances	25	65,497	132,576
		567,218	568,127
Current liabilities			
Trade and other payables	26	224,199	226,265
Bank borrowings	27	–	10,000
Provision	28	16,224	16,224
Current tax liabilities		500	5,171
		240,923	257,660
Net current assets		326,295	310,467
NET ASSETS		1,111,145	1,052,999

	Note	**As at 30 September 2017** *RMB'000*	**As at 31 December 2016** *RMB'000*
Capital and reserves			
Share capital	30	39,977	39,977
Reserves	32	1,071,168	1,013,022
TOTAL EQUITY		1,111,145	1,052,999

Approved by the Board of Directors on 15 March 2018 and are signed on its behalf by:

Li Yin Hui	**Zheng Zu Hua**
Director	*Director*

Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2017

	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Capital reserve	Share-based payment reserve	Exchange reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000 (Note 32(b)(i))*	*RMB'000 (Note 32(b)(ii))*	*RMB'000 (Note 32(b)(iii))*	*RMB'000 (Note 32(b)(iv))*	*RMB'000 (Note 32(b)(v))*	*RMB'000*	*RMB'000*
At 1 January 2016	39,977	1,037,907	(6,692)	88,783	4,111	(1,498)	–	(156,001)	1,006,587
Total comprehensive income for the year	–	–	–	–	–	20,403	164	17,286	37,853
Share-based payments	–	–	–	–	8,559	–	–	–	8,559
Total comprehensive income and changes in equity for the year	–	–	–	–	8,559	20,403	164	17,286	46,412
At 31 December 2016	39,977	1,037,907	(6,692)	88,783	12,670	18,905	164	(138,715)	1,052,999
At 1 January 2017	39,977	1,037,907	(6,692)	88,783	12,670	18,905	164	(138,715)	1,052,999
Total comprehensive income for the period	–	–	–	–	–	36,429	(851)	18,170	53,748
Share-based payments	–	–	–	–	4,398	–	–	–	4,398
Total comprehensive income and changes in equity for the period	–	–	–	–	4,398	36,429	(851)	18,170	58,146
At 30 September 2017	39,977	1,037,907	(6,692)	88,783	17,068	55,334	(687)	(120,545)	1,111,145
(Unaudited)									
At 1 January 2016	39,977	1,037,907	(6,692)	88,783	4,111	(1,498)	–	(156,001)	1,006,587
Total comprehensive income for the period	–	–	–	–	–	4,981	159	2,159	7,299
Share-based payments	–	–	–	–	6,358	–	–	–	6,358
Total comprehensive income and changes in equity for the period	–	–	–	–	6,358	4,981	159	2,159	13,657
At 30 September 2016	39,977	1,037,907	(6,692)	88,783	10,469	3,483	159	(153,842)	1,020,244

Consolidated Statement of Cash Flows

For the nine months ended 30 September 2017

	Note	For the nine months ended 30 September 2017 RMB'000	For the nine months end 30 September 2016 RMB'000 (unaudited)	For the year ended 31 December 2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		24,119	8,301	24,872
Adjustments for:				
Gain on bargain purchase of a subsidiary	33	(348)	–	–
Amortisation of prepaid land lease payments		596	596	794
Depreciation of property, plant and equipment		8,113	8,097	10,804
Impairment loss for bad and doubtful debts		–	–	339
Provision for a legal claim in respect of a rental dispute		–	–	16,224
Interest income		(1,670)	(1,004)	(2,752)
Finance costs		131	1,269	1,400
Loss on disposal of property, plant and equipment		256	13	50
Share-based payments		4,398	6,358	8,559
Share of (profit)/loss of an associate		(13,611)	3,960	(2,881)
Operating profit before working capital changes		21,984	27,590	57,409
(Increase)/decrease in inventories		(7,868)	16,117	(1,517)
(Increase)/decrease in trade and bills receivables		(39,063)	24,902	64,359
Increase in prepayments, deposits and other receivables		(7,155)	(43,318)	(19,911)
Decrease in trade and other payables		(2,424)	(29,870)	(38,788)
Cash (used in)/generated from operations		(34,526)	(4,579)	61,552
Interest paid		(131)	(1,269)	(1,400)
Income tax paid		(10,639)	(6,903)	(8,001)
Net cash (used in)/generated from operating activities		(45,296)	(12,751)	52,151

	Note	For the nine months ended 30 September 2017 RMB'000	For the nine months end 30 September 2016 RMB'000 (unaudited)	For the year ended 31 December 2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	33	(327)	–	–
Purchases of property, plant and equipment		(1,686)	(1,167)	(2,045)
Prepayment for purchases of property, plant and equipment		(1,701)	–	–
Purchase of financial products		(8,500)	–	–
(Increase)/decrease in pledged bank deposits		(3,405)	3,996	7,456
Interest received		1,670	1,004	2,752
Decrease/(increase) in advance to an associate		2,151	(2,548)	(2,875)
Proceeds from disposal of property, plant and equipment		15	64	78
Net cash (used in)/generated from investing activities		(11,783)	1,349	5,366
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans raised		–	20,000	20,000
Repayment of bank loans		(10,000)	(50,000)	(50,000)
Net cash used in financing activities		(10,000)	(30,000)	(30,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(67,079)	(41,402)	27,517
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD/YEAR		132,576	105,059	105,059
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD/YEAR		65,497	63,657	132,576
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank and cash balances		65,497	63,657	132,576

Notes to the Financial Statements

For the nine months ended 30 September 2017

1. GENERAL INFORMATION

China Fire Safety Enterprise Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "PRC") is No. 8 Section 1, Xin Hua Road, Chengdu Cross-Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, PRC.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 19 and 20 respectively.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and Interpretations. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of such new and revised HKFRSs to the extent that they are applicable to the Group for the current and prior accounting periods as reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2017. These new and revised HKFRSs include the following, which may be relevant to the Group.

	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
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied, changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless such create an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. Under the expected-loss impairment model, it is no longer necessary for a credit event or impairment to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses under normal circumstances.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle-based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses for the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group anticipates that the application of HKFRS 15 in the future may give rise to more disclosures. However, the Group does not expect that the application of HKFRS 15 will have material effect on the timing and amount of revenue recognised for each reporting period.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees, the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 36, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB5,591,000 as at 30 September 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made for the nine months ended 30 September. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the ability to direct the activities of the relevant entity, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase attributable to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in associates is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company and the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this 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 at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss classified as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance fees are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the term of the lease or 20 – 30 years
Plant and equipment	10%-33%
Furniture and fixtures	10%-33%
Computers	20%-33%
Motor vehicles	10%-25%
Leasehold improvements	Over the shorter of the term of the lease or 20%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

The Group as lessee

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on straight-line basis over the remaining term of lease.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(g) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

– It is technically feasible to complete the intangible asset so that it will be available for use or sale;

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

– There is an ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;

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

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overheads, and where appropriate, subcontracting charges. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire and the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither substantially transfers nor retains all the risks and rewards of ownership of the assets and has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs, except for the financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Trade and other receivables, bank balances and cash are typically classified in this category.

(k) Trade, bills and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bill and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and cash on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument represents any contract that evidences a interest in the residual assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting under the effective interest method is immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

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

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value of the equity instruments (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(t) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

For trade receivables that are assessed not to be impaired individually, the Group access them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, and observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account, and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Legal titles of certain buildings

As stated in note 16 to the consolidated financial statements, the Group is in the process of applying for the property rights certificates in respect of certain buildings. Despite the fact that the Group has not obtained all the relevant legal titles, the directors determined to recognise those buildings as property, plant and equipment on the ground that the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 30 September 2017 was RMB177,079,000 (as at 31 December 2016: RMB183,354,000).

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB7,630,000. Details of the goodwill are provided in note 18 to the consolidated financial statements.

(c) Impairment loss for bad and doubtful debts

The Group provides for the impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, bills and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, bills and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 30 September 2017, accumulated impairment loss for bad and doubtful debts amounted to RMB16,705,000 (as at 31 December 2016: RMB16,705,000).

(d) Allowance for obsolete and slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 30 September 2017, allowance for obsolete and slow-moving inventories amounted to RMB3,073,000 (as at 31 December 2016: RMB3,073,000).

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. 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. During the period, income tax expense of RMB5,949,000 was charged to profit or loss based on the calculation of estimated profit from operations (RMB6,142,000 (unaudited) and RMB7,586,000 for the nine months ended 30 September 2016 and the year ended 31 December 2016 respectively).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currency as at 30 September 2017 and 31 December 2016 are as follows:

Group

	Exposure to foreign currencies					
	As at 30 September 2017			As at 31 December 2016		
	United States dollars	Euro	Hong Kong dollar	United States dollars	Euro	Hong Kong dollar
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits and bank and cash balances	3,417	–	15,644	2,514	–	5,778
Trade and bills receivables	160	–	–	–	–	–
Amounts due from an associate	–	–	–	–	2,151	–
Trade payables	–	(521)	–	(40)	–	–
Accrued charges	–	(175)	(1,225)	–	–	(2,755)
	3,577	(696)	14,419	2,474	2,151	3,023

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

The following table details the 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.

	Increase/(decrease) in profit and other comprehensive income for the period/year	
	For the nine months ended 30 September 2017	For the year ended 31 December 2016
	RMB'000	*RMB'000*
– if RMB weakens against foreign currencies		
Hong Kong dollars ("HKD")	721	151
United States dollars ("USD")	179	124
Euro ("EUR")	(35)	108
– if RMB strengthens against foreign currencies		
HKD	(721)	(151)
USD	(179)	(124)
EUR	35	(108)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period/year end exposure and does not reflect the exposure during the period/year.

(b) Credit risk

The Group's credit risk is primarily attributable to its 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 Group's credit risk has been significantly reduced.

The Group has no significant concentrations of credit risk.

The Group has policies in place to ensure that sales are only made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by Hong Kong credit-rating agencies.

The Group does not provide any other guarantees which would expose the Group to credit risk.

(c) Liquidity risk

The 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 both a short and a longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	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*
As at 30 September 2017					
Trade and other payables	170,071	–	–	–	170,071
Provision	16,224	–	–	–	16,224
As at 31 December 2016					
Trade and other payables	182,264	–	–	–	182,264
Bank borrowings	10,203	–	–	–	10,203
Provision	16,224	–	–	–	16,224

(d) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period and the reasonably possible change which took place at the beginning of each year and was held constant throughout the respective year.

	For the nine months ended 30 September 2017	**For the year ended 31 December 2016**
Reasonably possible change in interest rate	50 basis points	50 basis points
	(Decrease)/increase in profit and other comprehensive income for the period/year	
	RMB'000	*RMB'000*
– as a result of increase in interest rate	N/A	(133)
– as a result of decrease in interest rate	N/A	133

(e) Categories of financial instruments

	30 September 2017	**31 December 2016**
	RMB'000	*RMB'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	403,356	383,285
Financial liabilities		
Financial liabilities at amortised cost	186,295	208,488

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

Revenue represents the proceeds of sale of fire engines and fire prevention and fighting equipment during the period/year less discounts and sales related tax.

8. OTHER INCOME

	For the nine months ended 30 September 2017	**For the nine months ended 30 September 2016**	**For the year ended 31 December 2016**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Interest income	1,670	1,004	2,752
Government grants *(note)*	1,985	1,375	1,634
Rental income	–	168	192
Gain on bargain purchase of a subsidiary *(note 33)*	348	–	–
Sundry income	1,681	1,136	1,469
	5,684	3,683	6,047

Note: The government grants represent subsidies provided by government organisations or authorities in the PRC for subsidising certain research and development projects conducted by the Group's subsidiaries.

9. SEGMENT INFORMATION

The Group has two operating segments as follows:

– production and sale of fire engines; and

– production and sale of fire prevention and fighting equipment.

The Group's reportable segments are strategic business units that offer different products and services, and each segment requires different production techniques and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, other expense, share of profit of associates, income tax expense and finance costs. Segment assets do not include investment in an associate, other current assets, amounts due from an associate, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings, provision and unallocated other payables.

Inter-segment sales and transfers of the Group are accounted for as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities:

	Production and sale of fire engines	**Production and sale of fire prevention and fighting equipment**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the nine months ended 30 September 2017				
REVENUE				
External sales	253,643	70,354	–	323,997
Inter-segment sales	–	1,891	(1,891)	–
Total	253,643	72,245	(1,891)	323,997
RESULTS				
Segment profit	22,639	3,271	–	25,910
Interest income				1,670
Unallocated corporate expenses				(16,941)
Profit from operations				10,639
Finance costs				(131)
Share of profit of an associate				13,611
Profit before tax				24,119
Income tax expense				(5,949)
Profit for the period				18,170

	Production and sale of fire engines *RMB'000*	Production and sale of fire prevention and fighting equipment *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
At 30 September 2017				
ASSETS				
Segment assets	618,565	84,233		702,798
Investment in an associate				568,182
Other current assets				8,500
Pledged bank deposits				6,675
Bank and cash balances				65,497
Unallocated other receivables				416
				1,352,068
LIABILITIES				
Segment liabilities	166,328	55,739		222,067
Current tax liabilities				500
Provision				16,224
Unallocated other payables				2,132
				240,923
OTHER INFORMATION				
Additions to non-current assets	1,177	509		1,686
Depreciation and amortisation	8,014	695		8,709
Loss on disposal of property, plant and equipment	256	–		256

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Elimination RMB'000	Total RMB'000
For the nine months ended 30 September 2016 (unaudited)				
REVENUE				
External sales	265,689	69,932	–	335,621
Inter-segment Sales	–	–	–	–
Total	265,689	69,932	–	335,621
RESULTS				
Segment profit	26,399	3,139	–	29,538
Interest income				1,004
Unallocated corporate expenses				(17,012)
Profit from operations				13,530
Finance costs				(1,269)
Share of loss of an associate				(3,960)
Profit before tax				8,301
Income tax expense				(6,142)
Profit for the period				2,159
For the year ended 31 December 2016				
REVENUE				
External sales	370,369	100,883	–	471,252
Inter-segment sales	–	–	–	–
Total	370,369	100,883	–	471,252
RESULTS				
Segment profit	45,000	5,591		50,591
Interest income				2,752
Unallocated corporate expenses				(13,728)
Profit from operations				39,615
Finance costs				(1,400)
Other expense				(16,224)
Share of profit of an associate				2,881
Profit before tax				24,872
Income tax expense				(7,586)
Profit for the year				17,286

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016				
ASSETS				
Segment assets	557,346	85,027		642,373
Investment in an associate				518,993
Amount due from an associate				2,151
Pledged bank deposits				3,270
Bank and cash balances				132,576
Unallocated other receivables				11,296
				1,310,659
LIABILITIES				
Segment liabilities	166,939	56,571		223,510
Current tax liabilities				5,171
Bank borrowings				10,000
Provision				16,224
Unallocated other payables				2,755
				257,660
OTHER INFORMATION				
Additions to non-current assets	1,360	685		2,045
Depreciation and amortisation	10,366	1,232		11,598
Impairment loss for bad and doubtful debts	266	73		339
Loss on disposal of property, plant and equipment	31	19		50

Geographical information:

The Group's revenue from operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue			Non-current assets	
	For the nine months ended 30 September 2017	**For the nine months ended 30 September 2016**	**For the year ended 31 December 2016**	**30 September 2017**	**31 December 2016**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
PRC	323,997	335,621	471,252	216,662	223,538
Germany	–	–	–	568,182	518,993
Others	–	–	–	6	1
	323,997	335,621	471,252	784,850	742,532

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for the year ended 31 December 2016 and the nine months ended 30 September 2016 and 2017.

10. FINANCE COST

	For the nine months ended 30 September 2017	**For the nine months ended 30 September 2016**	**For the year ended 31 December 2016**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Interest on bank borrowings	131	1,269	1,400

11. OTHER EXPENSE

	For the nine months ended 30 September 2017	**For the nine months ended 30 September 2016**	**For the year ended 31 December 2016**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Provision for a legal claim in respect of a rental dispute *(note 28)*	–	–	16,224

12. INCOME TAX EXPENSE

Income tax relating to operations has been recognised in profit or loss as follows:

	For the nine months ended 30 September 2017 *RMB'000*	For the nine months ended 30 September 2016 *RMB'000* (unaudited)	For the year ended 31 December 2016 *RMB'000*
Current tax – the PRC			
Provision for the period/year	5,962	6,137	7,910
(Over)/under-provision in prior years	(13)	5	(324)
	5,949	6,142	7,586

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2016 and the nine months ended 30 September 2016 and 2017 as the relevant group entities had no assessable profits for both years.

Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

In accordance with the enterprise income tax laws in the PRC, the statutory tax rate for PRC operations is 25% from 1 January 2008. However, certain of the Group's subsidiaries are qualified as High and New Technology Enterprises or Small Low-Profit Enterprises and are entitled to reduction in the PRC statutory income tax rate. The relevant tax rates for the Group's subsidiaries in the PRC range from 10% to 15% (for the nine months ended 30 September 2016 and year ended 31 December 2016: 15%).

The reconciliation between the income tax expense and profit before tax at applicable tax rates is as follows:

	For the nine months ended 30 September 2017 *RMB'000*	For the nine months ended 30 September 2016 *RMB'000* (unaudited)	For the year ended 31 December 2016 *RMB'000*
Profit before tax	24,119	8,301	24,872
Tax at the PRC Enterprise Income Tax rate of 25% (for the year ended 31 December 2016 and for the nine months ended 30 September 2016: 25%)	6,030	2,075	6,218
Tax effect of income that is not taxable	–	(266)	(1,271)
Tax effect of expenses that are not deductible	2,748	1,105	12,399
Tax effect of temporary differences not recognised	286	2,290	(4,689)
Tax effect of share of results of associates	(3,403)	990	(721)
Tax effect attributable to tax concessions	(2,913)	(3,567)	(5,273)
Tax effect of tax losses not recognised	770	1,958	823
(Over)/under-provision in prior years	(13)	5	(324)
Effect of different tax rates of subsidiaries	822	1,552	424
PRC dividend withholding tax	1,622	–	–
Income tax expense	5,949	6,142	7,586

13. PROFIT FOR THE PERIOD/YEAR

The Group's profit for the period/year is stated after charging/(crediting) the following:

	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	For the year ended 31 December 2016
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Amortisation of prepaid land lease payments	596	596	794
Auditor's remuneration	990	1,214	1,383
Cost of inventories sold *(note (i))*	252,583	264,391	363,991
Depreciation of property, plant and equipment	8,113	8,097	10,804
Impairment loss for bad and doubtful debts	–	–	339
Loss on disposal of property, plant and equipment	256	13	50
Net foreign exchange loss/(gain)	951	(2,579)	(1,826)
Operating lease charges in respect of rented premises	1,735	1,651	2,252
Provision for a legal claim in respect of a rental dispute	–	–	16,224
Research and development expenditure *(note (ii))*	15,169	10,946	18,622

Notes:

(i) Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and operating lease charges of approximately RMB22,420,000 (RMB14,626,000 (unaudited) and RMB31,587,000 for the nine months ended 30 September 2016 and the year ended 31 December 2016 respectively), which are included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB4,370,000 (RMB2,533,000 (unaudited) and RMB5,699,000 for the nine months ended 30 September 2016 and the year ended 31 December 2016 respectively), which are included in the amounts disclosed separately above.

14. EMPLOYEE BENEFITS EXPENSE

	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	For the year ended 31 December 2016
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Employee benefits expense (including directors' emoluments):			
Salaries, bonuses and allowances	31,170	32,035	42,502
Equity-settled share-based payments	4,398	6,358	8,559
Retirement benefit scheme contributions	6,535	6,146	7,654
	42,103	44,539	58,715

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	For the year ended 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
		(unaudited)	
Profit for the period/year attributable to owners of the Company	18,170	2,159	17,286
Number of shares	*'000*	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,078,571	4,078,571	4,078,571
Effect of dilutive potential ordinary shares arising from share options issued by the Company	–	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	4,078,571	4,078,571	4,078,571

There was no dilutive potential ordinary shares in relation to the share options as the average market price of the shares for the nine months ended 30 September 2016 and 2017 and for the year ended 31 December 2016 were lower than the exercise price of the share options.

16. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings	Plant and equipment	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2016	267,367	20,885	2,080	966	5,173	37	296,508
Additions	539	1,059	102	238	107	–	2,045
Disposals	–	–	–	–	(851)	–	(851)
At 31 December 2016 and 1 January 2017	267,906	21,944	2,182	1,204	4,429	37	297,702
Additions	–	920	200	222	344	–	1,686
Acquisition of a subsidiary *(note 33)*	–	5	–	9	409	–	423
Disposals	–	(905)	(86)	(146)	(291)	–	(1,428)
At 30 September 2017	267,906	21,964	2,296	1,289	4,891	37	298,383

	Group						
	Buildings	Plant and equipment	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment							
At 1 January 2016	88,095	11,932	1,162	487	2,554	37	104,267
Charge for the year	7,928	1,973	362	144	397	–	10,804
Disposals	–	–	–	–	(723)	–	(723)
At 31 December 2016 and 1 January 2017	96,023	13,905	1,524	631	2,228	37	114,348
Charge for the period	5,964	1,490	171	134	354	–	8,113
Disposals	–	(689)	(77)	(131)	(260)	–	(1,157)
At 30 September 2017	101,987	14,706	1,618	634	2,322	37	121,304
Carrying amount							
At 30 September 2017	165,919	7,258	678	655	2,569	–	177,079
At 31 December 2016	171,883	8,039	658	573	2,201	–	183,354
Unaudited:							
Cost							
At 1 January 2016	267,367	20,885	2,080	966	5,173	37	296,508
Additions	–	749	102	209	107	–	1,167
Disposals	–	–	–	–	(571)	–	(571)
At 30 September 2016	267,367	21,634	2,182	1,175	4,709	37	297,104
Accumulated depreciation and impairment							
At 1 January 2016	88,095	11,932	1,162	487	2,554	37	104,267
Charge for the period	5,946	1,477	269	105	300	–	8,097
Disposals	–	–	–	–	(494)	–	(494)
At 30 September 2016	94,041	13,409	1,431	592	2,360	37	111,870
Carrying amount							
At 30 September 2016	173,326	8,225	751	583	2,349	–	185,234

As at 30 September 2017, the Group was in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB77,425,000 (as at 31 December 2016: RMB80,192,260).

17. PREPAID LAND LEASE PAYMENTS

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

	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	For the year ended 31 December 2016
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
At the beginning of the period/year	33,349	34,143	34,143
Amortisation of prepaid land lease payments	(596)	(596)	(794)
At the end of the period/year	32,753	33,547	33,349
Current portion	(794)	(794)	(794)
Non-current portion	31,959	32,753	32,555

18. GOODWILL

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Cost		
At the beginning of the period/year and at the end of the period/year	7,630	7,630
Accumulated impairment losses		
At the beginning of the period/year and at the end of the period/year	–	–
Carrying amount		
At the beginning of the period/year and at the end of the period/year	7,630	7,630

Goodwill acquired in a business combination is allocated to the following CGU that are expected to benefit from that business combination. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2016 and 30 September 2017 is allocated as follows:

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Production and sale of fire engines	7,630	7,630

The recoverable amount of the above CGU has been determined on the basis of its value in use calculation using discounted cash flow method. The cash flow projection was based on financial budget approved by management covering a five-year period, and pre-tax discount rate at 14.19% (for the year ended 31 December 2016: 15.27%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 1% (for the year ended 31 December 2016: 1%). This growth rate is based on the forecast of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculation included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGU's historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amount.

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 30 September 2017 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid-up capital	Percentage of ownership interest attributable to the Company	Principal activities
Wang Sing Technology Limited ("Wang Sing")/limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100% *(note (i))*	Investment holding
Allied Best Holdings Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
萃聯(中國)消防設備製造有限公司 Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,000,000	100%	Production and sale of fire prevention and fighting equipment
CFE Appliances Investment Company Limited/limited liability company	Hong Kong	Ordinary shares of HKD1,000	100%	Investment holding
Profit Asia International Trading Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
四川川消消防車輛製造有限公司 Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd./sino-foreign equity joint venture	PRC	Registered capital of RMB80,640,000	100%	Production and sale of fire engines and fire prevention and fighting equipment
四川川消汽車服務有限公司 Sichuan Chuanxiao Motor Services Company Limited ("Chuanxiao Motor Services")/limited liability company	PRC	Paid-up capital of RMB800,000 *(note (ii))*	100%	Fire Engines repair and maintenance services

Notes:

(i) Shares held directly by the Company.

(ii) The Group acquired all the equity interest of Chuanxiao Motor Services on 31 March 2017.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. As at 30 September 2017, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB53,110,000 (At 31 December 2016: RMB127,554,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVESTMENT IN AN ASSOCIATE

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Unlisted investments:		
Share of net assets	245,415	217,138
Goodwill	322,767	301,855
	568,182	518,993

Details of the Group's associate as at 30 September 2017 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Albert Ziegler GmbH("Ziegler")/limited liability company	Germany	EUR13,543,000	40%	Production and sale of fire engines and fire prevention and fighting equipment

The Group completed the acquisition of 40% equity interests in Ziegler on 10 July 2015. The Company issued 1,223,571,430 shares of the Company, representing 30% of the enlarged issued share capital of the Company, to CIMC Top Gear B.V. ("CIMC Top Gear", a wholly owned subsidiary of China International Marine Containers (Group) Co., Ltd. ("CIMC")) as consideration of the acquisition. The closing price of the Company's shares as quoted on the Stock Exchange on the acquisition completion date was HKD0.48 per share, giving rise to a total consideration of HKD587,314,000 (equivalent to approximately RMB470,849,000 at date of acquisition). Consideration paid amounted to EUR10,356,000 was for acquiring 40% of the shareholders loan advanced by CIMC Top Gear to Ziegler (on a 1:1 basis) at the completion of acquisition, which was recognised as amount due from an associate. In 2016, the Group and CIMC Top Gear resolved to waive the shareholders loans and approved Ziegler to convert the said loans into Ziegler's capital reserves on 1 December 2016 (note 23).

The following table shows information on Ziegler, which is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the financial statements of Ziegler and its subsidiaries prepared in accordance with the HKFRS.

	Ziegler	
	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
At the end of the period:		
Non-current assets	423,961	398,404
Current assets	1,090,250	949,677
Non-current liabilities	(77,178)	(74,131)
Current liabilities	(821,520)	(729,179)
Non-controlling interests	(1,977)	(1,926)
Net assets	613,536	542,845
The Group's 40% share of net assets	245,415	217,138
Goodwill	322,767	301,855
The Group's share of carrying amount of interests	568,182	518,993

The change in balance of goodwill represents the exchange difference arising from the translation of the goodwill, which is denominated in the functional currency of Ziegler, into RMB at the closing rate at 30 September 2017.

	For the nine months ended 30 September 2017 *RMB'000*	For the year ended 31 December 2016 *RMB'000*
Revenue	1,246,046	1,620,019
Profit for the period/year	34,026	7,201
Other comprehensive income	(2,126)	408
Total comprehensive income	31,900	7,609
The Group's 40% share of profit	13,611	2,881
The Group's 40% share of other comprehensive income	(851)	164

As at 31 December 2016 and 30 September 2017, Ziegler has no bank and cash balances denominated in RMB.

21. INVENTORIES

Inventories represent fire engines, fire prevention and fighting equipment and related materials.

	30 September 2017 *RMB'000*	31 December 2016 *RMB'000*
Raw materials	29,349	25,895
Work in progress	49,349	32,117
Finished goods	67,413	80,220
	146,111	138,232

The above inventories are stated at lower of cost and net realisable value.

22. TRADE AND BILLS RECEIVABLES

	30 September 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade and bills receivables	263,872	224,238
Less: Impairment loss for bad and doubtful debts	(16,705)	(16,705)
	247,167	207,533

The Group allows an average credit period of 30 days to 180 days to its customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The aging analysis of trade and bills receivables, based on the invoice date and net of impairment loss for bad and doubtful debts, is as follows:

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
0 – 90 days	63,960	91,292
91 – 180 days	64,362	42,095
181 – 360 days	64,157	35,705
Over 360 days	54,688	38,441
	247,167	207,533

Apart from those disclosed in note 6(a) to the consolidated financial statements which were denominated in USD, the carrying amount of the Group's trade and bills receivables as at 31 December 2016 and 30 September 2017 were all denominated in RMB.

As at 30 September 2017, trade and bills receivables of RMB118,845,000 (as at 31 December 2016: RMB74,146,000) were past due but not impaired. These relate to a number of independent customers whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
181 – 360 days	64,157	35,705
Over 360 days	54,688	38,441
	118,845	74,146

Reconciliation of impairment loss for bad and doubtful debts is as follows:

	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	For the year ended 31 December 2016
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
At the beginning of the period/year	16,705	17,571	17,571
Impairment loss for the period/year	–	–	339
Amounts written off	–	–	(1,205)
At the end of the period/year	16,705	17,571	16,705

The management closely monitors the credit quality of the trade and bills receivables and considers the trade and bills receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Group, trade and bills receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality or loss event of these customers. Impairment loss for bad and doubtful debts recognised for the year ended 31 December 2016 and for the nine months ended 30 September 2017 were on trade receivables which were either aged over two years or from customers which had either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

23. AMOUNT DUE FROM AN ASSOCIATE

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Interest receivables	–	2,151

The Group and CIMC Top Gear resolved to waive the shareholders loans and approved Ziegler to convert the loans into capital reserves in 2016. The interest due as at 31 December 2016 was fully settled by Ziegler in January 2017.

24. OTHER CURRENT ASSETS

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Wealth Management Product	8,500	–

25. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 0.35% (for the year ended 31 December 2016: Nil to 0.35%) per annum.

The pledged bank deposits are mainly for securing banking facilities granted to the Group and carry interest at 0.35% (for the year ended 31 December 2016: 0.35%) per annum.

As at 30 September 2017, pledged bank deposit and bank and cash balances of the Group in the PRC denominated in RMB amount to RMB53,110,000 (as at 31 December 2016: RMB127,554,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Trade payables	109,648	106,397
Accrued charges	60,423	61,312
Receipts in advance	43,076	44,001
Value added tax, sales tax and other levies	11,052	14,555
	224,199	226,265

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

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
0 – 30 days	40,834	50,480
31 – 60 days	9,017	12,292
61 – 90 days	5,972	7,892
Over 90 days	53,825	35,733
	109,648	106,397

Except for the part of the accrued charges and trade payables as disclosed in note 6(a) to the consolidated financial statements which were denominated in HKD and USD respectively, the carrying amount of the Group's trade and other payables as at 31 December 2016 and 30 September 2017 were all denominated in RMB.

27. BANK BORROWINGS

	30 September 2017	**31 December 2016**
	RMB'000	*RMB'000*
Bank loans, unsecured	–	10,000

As at 31 December 2016, bank borrowings of the Group were all denominated in RMB and were due for settlement within 12 months (shown under current liabilities).

The bank loans were guaranteed by subsidiaries of the Company. The average interest rates at the end of the period are as follows:

	30 September 2017	**31 December 2016**
Bank loans	N/A	5.315%

The interest rates for the bank loans outstanding as at 31 December 2016 were arranged at 110% to 118% of the benchmark interest rate as stipulated by the People's Bank of China and exposed the Group to cash flow interest rate risk.

28. PROVISION

	For the nine months ended 30 September 2017	**For the nine months ended 30 September 2016**	**For the year ended 31 December 2016**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
At the beginning of the period/year	16,224	–	–
Addition	–	–	16,224
At the end of the period/year	16,224	–	16,224

The provision represents the provision for a legal claim in respect of a rental dispute brought against the Group by a lessor for the unsettled rental payment. The provision was made based on the court written judgement and the management's estimation.

29. DEFERRED TAX

As at 30 September 2017, the Group has unused tax losses of RMB148,012,000 (As at 31 December 2016: RMB143,300,000) available for offseting against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. As at 31 December 2016 and 30 September 2017, all tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and an associate for which deferred tax liabilities have not been recognised amounts to RMB209,373,000 (as at 31 December 2016: RMB192,682,000). No liability has been recognised in respect of these differences because the timing of reversal of the temporary differences were under control by the Group and related companies and it is probable that such differences will not be reversed in the foreseeable future.

30. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Authorised: Shares of HKD0.01 (At 31 December 2016: HKD0.01) each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 30 September 2017	10,000,000,000	100,000
Issued and fully paid: Shares of HKD0.01 (At 31 December 2016: HKD0.01) each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 30 September 2017	4,078,571,430	40,786

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Balance shown in the consolidated financial statements as	39,977	39,977

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group from time to time monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as total debt divided by adjusted capital. Total debt comprises bank borrowings. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

During the nine months ended 30 September 2017, the Group's strategy, which was unchanged from 2016, was to maintain the debt-to-adjusted capital ratio at a reasonable level. The debt-to-adjusted capital ratios as at 31 December 2016 and 30 September 2017 were as follows:

	30 September 2017	31 December 2016
	RMB'000	*RMB'000*
Total debt	–	10,000
Adjusted capital	1,111,145	1,052,999
Debt-to-adjusted capital ratio	N/A	1%

The externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares maintained throughout the year.

The Company was not informed of any change in the Company's shareholdings that would lead to its non-compliance with the 25% public float requirement throughout the year.

31. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The shareholders of the Company adopted a share option scheme on 29 May 2009 which shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

The purpose of the Scheme is to advance the interests of the Company and its shareholders by offering the eligible persons a performance incentive for better services and loyalty with the Company and its subsidiaries and enhancing such persons' contributions to the Group by share ownership. A duly authorised committee of the board of directors of the Company may, at its absolute discretion, offer any full-time employee of the Company or any its subsidiaries, including any executive and non-executive directors of the Company or any of its subsidiaries, options to subscribe for shares on the terms set out in the Scheme.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but the exercise period of the options is in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The total number of shares available for issue under the Scheme is 285,500,000 shares, representing 7% of the Company's issued share capital as at the date of this Announcement

Details of the movement of share options during the period/year are as follows:

	For the nine months ended 30 September 2017		**For the nine months ended 30 September 2016 (unaudited)**		**For the year ended 31 December 2016**	
	No. of share options	*Exercise price (HKD)*	*No. of share options*	*Exercise price (HKD)*	*No. of share options*	*Exercise price (HKD)*
Outstanding at the beginning and the end of the period/year	115,625,000	0.42	115,625,000	0.42	115,625,000	0.42
Exercisable at the beginning and the end of the period/year	115,625,000	0.42	–	–	–	–

The share options outstanding as at 31 December 2016 and 30 September 2017 were granted to certain directors of the Company and certain employees of the Group on 26 August 2015. The share options granted will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive).

The share options granted were vested on 11 July 2017. No option has been exercised since being vested and up to 30 September 2017.

The estimated fair value of the share options granted on 26 August 2015, as calculated using the Binomial pricing model, was HKD19,956,000. The inputs into the model were as follows:

	2015
Share price at date of grant	HKD0.365
Exercise price	HKD0.42
Expected volatility	55.5%
Expected life of options	10 years
Risk free rate	1.684%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous ten years.

For the nine months ended 30 September 2017, the evaluated fair value of employee's share-based payment of approximately HKD4,984,000 (equivalent to approximately RMB4,398,000) (HKD7,487,000 (equivalent to approximately RMB6,358,000) (unaudited) and HKD9,983,000 (equivalent to approximately RMB8,559,000) for the nine months ended 30 September 2016 and the year ended 31 December 2016 respectively) has been charged to the Group's profit with a corresponding credit to the share-based payment reserve.

32. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein have been presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

(ii) Capital reserve

The capital reserve represents the share premium arising from the issue of shares of a subsidiary to the investors under the group reorganisation.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments as described in note 4(s) to the consolidated financial statements.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(v) Other reserve

The other reserve represents the share of other comprehensive income of an associate.

33. ACQUISITION OF A SUBSIDIARY

On 8 February 2017, the Group entered into a sales and purchases agreement to acquire the entire equity interest of Chuanxiao Motor Services. Chuanxiao Motor Services is a company incorporated in Sichuan and principally engaged in the provision of fire engines repairs and maintenance services.

Details of the assets acquired and liabilities assumed as at the acquisition date are set out as follows:

	At date of acquisition *RMB'000*
Property, plant and equipment *(note 16)*	423
Inventories	11
Trade and other receivables	618
Bank and cash balances	473
	1,525
Trade and other payables	(358)
Current taxation	(19)
	(377)
Fair value of net identifiable assets attributable to the Group	1,148
Consideration of acquisition	(800)
Gain on bargain purchase	348
Net cash outflow arising from acquisition:	
Consideration of acquisition settled in cash	(800)
Cash and cash equivalents acquired	473
	(327)

34. NOTES TO THE STATEMENT OF CASH FLOW

Reconciliation of liabilities incurred from financing activities:

The following table sets out the details of the changes of liabilities of the Group incurred from financing activities, including cash and non-cash changes.

Liabilities incurred from financing activities are cash flows or future cash flows classified to cash flow from financing activities in the consolidated statement of cash flow of the Group.

	1 January 2017	**Cash flow**	**Interest expenses**	**31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings *(Note 27)*	10,000	(10,131)	131	–

35. CAPITAL COMMITMENTS

As at 30 September 2017, the Group's capital commitments are as follows:

	30 September 2017	**31 December 2016**
	RMB'000	*RMB'000*
Property, plant and equipment	12,525	14,205

36. OPERATING LEASE COMMITMENTS

As lessee

At 30 September 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2017	**31 December 2016**
	RMB'000	*RMB'000*
Within one year	2,497	1,991
In the second to fifth year inclusive	3,094	3,366
	5,591	5,357

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

37. RETIREMENT BENEFIT SCHEMES

The group entities operating in the PRC participate in a state-managed retirement benefit plan operated by the government of the PRC. All eligible PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at 19% (for the year ended 31 December 2016: 19%) of the basic salary of its eligible PRC employees. The Group has no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the nine months ended 30 September 2017 amounted to RMB6,456,000 (RMB6,088,000 (unaudited) and RMB7,566,000 for the nine months ended 30 September 2016 and the year ended 31 December 2016 respectively).

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent total contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme. During the nine months ended 30 September 2017, the Group's total contributions to the MPF Scheme amounted to RMB79,000 (RMB58,000 (unaudited) and RMB88,000 for the nine months ended 30 September 2016 and the year ended 31 December 2016 respectively).

38. RELATED PARTY TRANSACTIONS

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/year:

	For the nine months ended 30 September 2017	**For the nine months ended 30 September 2016**	**For the year ended 31 December 2016**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Interest income receivable from an associate	–	–	1,420

39. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2017 (as at 31 December 2016: RMB Nil).

40. EVENTS AFTER THE REPORTING PERIOD

(i) Acquisitions

On 4 December 2017, the Company and its subsidiary, Wang Sing, entered into two sales and purchase agreements as follows:

Pteris Agreement:	to acquire (the "Pteris Acquisition") 78.15% and 21.26% of the equity interests in Pteris Global Limited ("Pteris"), a non-wholly owned subsidiary of China International Marine Containers (Group) Co., Ltd. ("CIMC"), respectively from Sharp Vision Holdings Limited ("Sharp Vision")and Fengqiang Holdings Limited ("Fengqiang"); and
TianDa Agreement:	to acquire (the "TianDa Acquisition) 30% equity interests in Shenzhen CIMC-TianDa Airport Support Ltd. (深圳中集天達空港設備有限公司) from ("TianDa") Lucky Rich Holdings Limited ("Lucky Rich").

The Pteris Acquisition and the TianDa Acquisition are collectively referred to as the "Proposed Acquisitions". The completion of the TianDa Acquisition is conditional upon the completion of the Pteris Acquisition.

Pursuant to the Pteris Agreement and TianDa Agreement, the Company will issue up to 7,470,108,040 shares of the Company (the "Consideration Shares") at an issue price of HKD0.366 per share and convertible bonds in the aggregate principal amount of up to RMB2,093,133,694 to Sharp Vision, Fengqiang and Lucky Rich (or their respective nominee(s)) as consideration for the Proposed Acquisitions. After completion of the Proposed Acquisitions, assuming no change in the issued share capital of the Company other than the issuance and allotment of the Consideration Shares, CIMC, through its indirect shareholdings in Sharp Vision and CIMC Top Gear B.V., will hold 51% equity interests in the Company.

The completion of the Proposed Acquisitions are subject to certain conditions precedents, including but not limited to, the approval of the shareholders of the Company eligible to vote at an extraordinary general meeting (the "EGM") which is to be held on 11 April 2018.

Details of the Proposed Acquisitions 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.

(ii) Placing of new shares of the Company

On 6 February 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with 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)) (the "Subscriber"), a limited partnership established in the PRC, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 shares of the Company at a subscription price of HKD0.366 each (the "Subscription"). The Subscription is conditional upon certain condition precedents, among which, are the completion of the Pteris Acquisition and the approval of the shareholders of the Company eligible to vote at the EGM.

Details of the Subscription are set out in the announcement of the Company dated 6 February 2018 and in the circular of the Company dated 15 March 2018.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE CFE GROUP

(a) Business Review

Financial year of 2014

For the year ended 31 December 2014, revenue and loss of CFE Group was segregated into those from continuing operations and discontinued operations and are shown as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Revenue		
From continuing operations	449,249	392,601
From discontinued operations	397,579	444,211
Revenue of the CFE Group	846,828	836,812
Loss for the year		
From continuing operations	14,232	1,929
From discontinued operations	487,807	159,801
Loss for the year of the CFE Group	502,039	161,730

Continuing operations in the financial year 2014

The continuing operations consist of two business segments: the production and sale of fire engines and the production and sale of fire prevention and fighting equipment. Revenue growth for the year 2014 was mainly attributable to increase in the units of fire engines sold. However, due to the costs inflation, change in sales mix, and the increase in inspection and testing expenses in relation to the tightening of vehicle emission standard from Euro 3 to Euro 4 in China at the end of 2014, there was a drop in the gross profit margin for the fire engines segment. The CFE Group's portfolio of fire equipment comprises mainly of firefighting components equipped on fire engines such as fire monitors, water pumps, valves and other firefighting equipment and systems like sprinklers and the Intelligent Auto-aiming Fire Extinguishing System. Sales of these equipment have been kept stable in recent years and contributed to the CFE Group a secured income stream.

As disclosed in the 2013 annual report, to save the CFE Group from sequential years of losses, it commenced a restructuring plan with an aim to discard the unprofitable business units such that resources of the CFE Group could be focus on the operations considered most promising, i.e. the production and sale of fire engines and fire prevention and fighting equipment. Since the CFE Group started its production and sale of fire engines via an acquisition in 2004, the development of the business segment has been progressing steadily contributing substantive amounts of revenue and profits. Notwithstanding this, to maintain its leading position in the industry in the PRC and even stepping forward to compete in the global market, the CFE Group has been looking for ways and opportunities to strengthen itself for further advancement. In February 2015, the CFE Group entered into an agreement to acquire from CIMC 40% equity interests in Ziegler, a wholly-owned subsidiary of CIMC, by issuing new CFE Shares. Upon completion of the Ziegler Acquisition, CIMC held 30% equity interests and became the controlling shareholder of the Company.

Ziegler is a world renowned manufacturer in the development, production and distribution of fire engines, special purpose vehicles, water pumps and other firefighting components. It is known for its high quality craftsmanship as well as technological leadership in customized fire engines and firefighting equipment. Through the Ziegler Acquisition, the CFE Group expects to build up a strategic relationship with Ziegler and CIMC and to achieve numerous potential synergies including:

(a) advancement in development of new models of fire engines and firefighting equipment and improvement in production techniques with Ziegler's technical input;

(b) expansion of product portfolio and enhancement of product quality;

(c) achieve potential economies of scale through production resources sharing;

(d) obtain direct access to the international market, particularly the European market by taking advantage of the distribution network of Ziegler; and

(e) expansion of market coverage by tapping into CIMC's established relationship network.

Besides, on the basis that the Ziegler Acquisition is completed, CIMC has undertaken to arrange for the CFE Group banking facilities of not less than RMB180 million for its working capital and provide financial support for the CFE Group's future acquisition projects. It is anticipated that the CFE Group will grow in a fast pace by means of endogenous growth and acquisitions as well.

Discontinued operations in the financial year 2014

The discontinued operations comprise the turnover and results of:

(a) the installation of fire prevention and fighting systems;

(b) the maintenance of fire prevention and fighting systems;

(c) the trading of fire engines and firefighting and rescue equipment;

(d) the operation of a guest house; and

(e) a subsidiary engaged in the production and sale of fire prevention and fighting equipment.

The CFE Group entered into an agreement to dispose of the subsidiaries engaged in (a) and (b) above in February 2015 (see paragraph below for details) and completed the disposal of the subsidiaries engaged in (c), (d) and (e) above in 2014. Since the operations of the business units concerned have been or would be stopped, they were classified as discontinued operations for reporting purpose in 2014.

In February 2015, the CFE Group entered into an agreement with an independent party to dispose of the entire equity interests in the Disposal Subsidiaries engaged mainly in the installation and maintenance of fire prevention and fighting systems. Included in the loss from discontinued operations for the year 2014 was the impairment loss made on the carrying value of the assets of the Disposal Subsidiaries. The impairment loss of approximately RMB501 million was made with reference to the consideration of the Disposal. The CFE Group has made losses for consecutive years since 2009 largely because of the large amount of allowances for doubtful debts made on long outstanding accounts receivables resulting from the over-aggressive take-ups of installation projects in prior years. The CFE Group was not optimistic about the prospect of the installation business because of:

(a) the excessive number of service providers in the market especially at the time when the real estate market in the PRC was still suffering from the adverse effect caused by the macro-economic control measures; and

(b) the difficulty in recovering outstanding accounts receivables as many property developers were facing credit and funding issues.

Since the buyer of the Disposal Subsidiaries has undertaken to (1) carry on all the installation and maintenance projects according to the contract terms the CFE Group has agreed with the customers at its own costs and (2) indemnify the CFE Group for all losses, liabilities, compensations, penalties, fees and taxes arising from disputes or liabilities in respect of the installation and maintenance businesses, the CFE Group considered that the Disposal is a kind of corporate recovery action to release it from the burden of the installation and maintenance businesses and to remove the risks of non-recovery of the receivables. Moreover, it enabled the CFE Group to embark on a new development. The completion of the Disposal is also for the fulfilment of a precondition of the Ziegler Acquisition. The CFE Group considered that the long term benefits and returns to be derived from the strategic alliance with Ziegler and CIMC justified the one-time loss from the Disposal.

Financial year of 2015

For the year 2015, the CFE Group's continuing operations consists of two segments: the production and sale of fire engines and the production and sale of fire prevention and fighting equipment. Revenue from continuing and discontinued operations for the year 2015 were RMB565 million (2014: RMB449 million) and RMB97 million (2014: RMB398 million), respectively. The continuing operations generated profits of RMB43 million for the year 2015 (2014: loss of 14 million) while the discontinued operations incurred a loss of RMB13 million (2014: RMB488 million). The growth in revenue from continuing operations for the year 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 have driven the increase in profit from continuing operations for the year 2015.

During the year 2015, the CFE Group launched a newly developed fire engine that was particularly designed for densely populated cities. The new fire engine is smaller in size than those 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 large range of tools and rescue equipment. Equipped with the CFE 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 is favorably commented by the Ministry of Public Security of the PRC. The fire engines and equipment markets in the PRC 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 able to fill market gaps are the key to future growth. In the coming years, the CFE Group is going 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 the PRC; 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.

Through the Ziegler Acquisition in 2015, the CFE Group has built up a strategic relationship with Ziegler and CIMC and expects to gain from the synergistic effect in respect of technological advancement, market assessment and resources sharing. With the support of CIMC, the CFE Group aims at achieving growth organically by focusing on improving production techniques, developing new products and enhancing product quality. Besides, it will actively plan for mergers and acquisitions so as to speed up the pace of development.

Financial year of 2016

For the year ended 31 December 2016, revenue of the CFE Group dropped 16.6% to RMB471 million. Profit from operations for the year 2016 was RMB39.6 million, broadly in line with the prior year 2015. Profit for the year 2016, however, declined 43.2% to RMB17.3 million. To better comply with the accounting policies, the CFE 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 number of qualified fire engines manufacturers by the Ministry of Industry and Information Technology and the Ministry of Public Security from the beginning of 2016 has rapidly boost up the number of players in the market and put stress on the CFE Group's order books.

In spite of the decline in revenue, the loss in profit was largely compensated by the increase in gross profit margin 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 launched; and sale of large-sized fire engines that equipped with more equipment and advanced chassis, have driven up the gross profit margin for the year 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 2016 was attributable to: (i) the decrease in share of profit of associates; and (ii) the provision for a rental dispute amounted to RMB16 million. The CFE Group completed the acquisition of 40% of Ziegler in July 2015 and therefore shared only the financial results for the second half of 2015. The first two quarters of a year are normally the slack seasons for Ziegler and the CFE Group should have shared a loss of approximately RMB9.4 million for 2015, had Ziegler's results for the full year been taken into account.

The market for conventional fire trucks is approaching saturation but demand for special vehicles is rising. The CFE Group has focused on developing those products that cater for market needs and are able to fill market gaps in recent years. For the projects discussed in the 2015 annual report, the sale of bi-directional trucks commenced in 2016. Orders for aerial platform trucks have been received which is expected to be delivered in 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, is progressing smoothly and may launch in the near future.

In addition to growth through internal development, the CFE Group is actively looking for merger and acquisition opportunities, which will enrich its product portfolio and technologies and enlarge its market coverage.

For the nine months ended 30 September 2017

For the nine months ended 30 September 2017, revenue of the CFE Group decreased 3.5% to RMB324.0 million but profit of the CFE Group increased over 7 times to RMB18.2 million, as compared to the corresponding period in 2016. Revenue decreased mainly because of the decline in number of fire engines sold caused by the supply shortage of chassis in the third quarter of 2017. Profit increased for the period was attributable to the improved performance of Ziegler, giving rise to an increase in the CFE Group's share of its profit.

(b) Financial resources, liquidity, contingent liabilities and pledge of assets

As at 31 December 2014, the CFE Group's bank and cash balances were approximately RMB211 million (2013: RMB171 million), of which RMB9 million (2013: RMB9 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 two of the CFE Group's subsidiaries in Sichuan as at the year-end date were RMB100 million (2013: RMB80 million).

As at 31 December 2015, the CFE Group's bank and cash balances were approximately RMB116 million (2014: RMB172 million, excluding those for the Disposal Subsidiaries), of which RMB11 million (2014: RMB8 million, excluding those for the Disposal Subsidiaries) 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 CFE subsidiaries in Sichuan as at the year-end date of 2015 were RMB40 million (2014: RMB100 million). Other than the repayment of bank loans, major cash outflow during the year 2015 were payment of interim dividend amounted to RMB69 million in July 2015 and cash consideration for acquisition of non-controlling interests at RMB37 million in December 2015.

As at 31 December 2016, the CFE Group's bank and cash balances were approximately RMB136 million (2015: RMB116 million), of which RMB3 million (2015: RMB11 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 of 2016 reduced to RMB10 million (2015: RMB40 million). The increase in net cash balances was mainly due to the CFE Group's strengthened effort in recovering accounts receivables. The CFE Group has also strengthened its after-sales services to follow up the problems that customers may encounter in respect of the products purchased so as to enhance their satisfaction and willingness to pay.

As at 30 September 2017, the CFE Group's cash and bank balances was approximately RMB72 million (31 December 2016: RMB136 million), of which RMB7 million (31 December 2016: RMB3 million) was pledged for bid bond guarantee issued, performance guarantee and guarantee for letter of credit issued which would be released in short period of time. Cash balance of RMB8.5 million deposited in wealth management product of a bank in China was classified as other current assets as at 30 September 2017 (31 December 2016: Nil). The abovementioned wealth management product was redeemed in October 2017 upon expiry. All outstanding short term bank loans which were borrowed by the two subsidiaries in Chengdu were repaid in April 2017. The CFE Group's cash balances are generally higher at year end date as a major part of its customers operate on national fund normally arrange their payment in the last quarter of a year. The decrease in cash balances during the nine months ended 30 September 2017 was also due to the procurement of more imported chassis to meet the requests of customers, as compared to last year. Purchase of imported chassis is subject to stricter terms of payment and generally required a 30% prepayment upon purchase order made which exert pressure on the CFE Group's operating cash flow.

As at 31 December 2014, the current assets and current liabilities of the CFE Group were approximately RMB1,080 million (2013: RMB1,425 million) and RMB721 million (2013: RMB600 million) respectively. The current ratio was approximately 1.5 times (2013: 2.4 times). Gearing ratio (interest bearing debt/total equity excluding non-controlling interests) at end of the year was 18.2% (2013: 7.6%). Because of the significant amount of impairment made on the assets of the Disposal Subsidiaries with reference to the consideration of the Disposal, loss for the year 2014 increased and carrying value of the current assets decreased leading to the increase in gearing ratio and drop in current ratio for the year.

As at 31 December 2015, the current assets and current liabilities of the CFE Group were approximately RMB664 million (2014: RMB1,080 million) and RMB311 million (2014: RMB721 million) respectively. The current ratio was approximately 2.1 times (2014: 1.5 times). Gearing ratio (interest bearing debt/total equity (non-controlling interests excluded)) at end of the year 2015 was 4.0% (2014: 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 the Disposal Subsidiaries during the year. Since the assets of the Disposal Subsidiaries were materially impaired with reference to the consideration of the Disposal in 2014, the disposal of the assets and liabilities concerned has led to the improvement in the CFE Group's current ratio at end of 2015. Reduction in gearing ratio was mainly due to the issuance of new shares for the acquisition of Ziegler.

As at 31 December 2016, the current assets and current liabilities of the CFE Group were approximately RMB568 million (2015: RMB664 million) and RMB258 million (2015: RMB311 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 end of the year 2016 was 1% (2015: 4%). The reduction in current assets at end of 2016 was mainly due to the decrease in the amounts due from an associate as the CFE Group waived the loan receivable from Ziegler amounted to RMB76 million (in original currency EUR10 million) in December 2016. In view of the improving performance of Ziegler for recent years and the growing sales orders received, the CFE Group and CIMC, the other 60% shareholder, approved Ziegler to convert 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 CFE Group recognised 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 2016 as the CFE Group's cash position improved.

As at 30 September 2017, current assets and current liabilities of the Group were approximately RMB567 million (31 December 2016: RMB568 million) and RMB241 million (31 December 2016: RMB258 million) respectively. The current ratio was approximately 2.4 times (31 December 2016: 2.2 times). The Group has no interesting bearing debt as at 30 September 2017 but had an outstanding short-term bank loan of RMB10,000,000 as at 31 December 2016. The gearing ratio (interest bearing debt/total equity) at 31 December 2016 was 1%.

RMB is the functional currency and adopted as the reporting currency by the CFE Group. The majority of the CFE Group's assets, liabilities, sales and purchases are primarily denominated in RMB and Hong Kong dollars. The CFE Group uses forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than RMB and Hong Kong dollars when considered necessary. There was no forward foreign currency exchange contract outstanding as at 31 December 2014, 2015, 2016 and 30 September 2017.

Save as disclosed herein, the CFE Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2014, 2015, 2016 and the nine months ended 30 September 2017.

(c) Investments, disposals and capital commitments

Disposal

During the year 2014, the CFE Group sold all the equity interests it held in three subsidiaries. They were engaged respectively in the trading of fire engines and firefighting and rescue equipment; operation of a guest house; and the production and sale of fire prevention and fighting equipment. The disposals were made pursuant to the CFE Group's restructuring plan formulated in 2013 such that unprofitable and non-core businesses would be chop-off and resources would be redirect to business units that have high development potential and promising prospective, such as the production and sale of fire engines. The total considerations for the disposals were RMB62 million and generated gain on disposal of RMB2.5 million for the year 2014.

During the year 2015, the CFE Group completed the disposal of all the equity interests it held in the Disposal Subsidiaries at a cash consideration of RMB50,000,000 in April 2015. Besides, the CFE Group has also disposed of certain 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 date of disposal were approximately RMB42,000 and RMB572,000 respectively. Gain on disposal of subsidiaries amounted to RMB2.1 million was recognized for all of the disposals completed in 2015.

During the year 2015, the CFE Group has disposed of all the investments in associates (except for the interests in Ziegler which was acquired during the year 2015). The associates disposed of were engaged in the production and sale of fire suppression foam and powder. The disposal has resulted in no gain or loss as the carrying value of the investments have been fully written off by the operating losses shared and impairment losses in the past.

Acquisitions

The CFE Group completed the acquisition of 40% equity interests in Ziegler, one of the leading producers of fire engines globally, in July 2015. Ziegler is 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 is accounted for as an associate in the CFE Group's 2015 Consolidated Financial Statements and contributed to the CFE Group a share of profit from date of acquisition to end of the year 2015 amounted to approximately RMB15.2 million.

In addition to Ziegler, in December 2015, the CFE Group acquired the 25% equity interest in Sichuan Morita held by a minority shareholder at a cash consideration of RMB37,000,000, increasing its ownership in Sichuan Morita from 75% to 100%. Sichuan Morita is the CFE 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 CFE Group's revenue for the year ended 31 December 2015. The carrying amount of the non-controlling interest at date of acquisition was approximately RMB65.9 million.

Capital commitments

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the CFE Group had capital commitment of approximately RMB18 million, RMB16 million, RMB14 million and RMB13 million, respectively, which were mainly related to the investment amount committed to the local government of the county in Sichuan where the CFE Group's factory is located.

Save as disclosed herein, the CFE Group had no material capital commitments, investments, acquisitions or disposals as at 31 December 2014, 2015, 2016 and 30 September 2017.

(d) Employees and remuneration policies

As at 31 December 2014, the CFE Group had approximately 705 full-time employees (2013: 807). The decrease in number of staff was mainly due to the disposal of three subsidiaries during the year. Staff costs (with continuing and discontinued operations all inclusive), excluding directors' remuneration, for the year 2014 was RMB47.7 million (2013: RMB46.7 million).

As at 31 December 2015, the CFE Group had approximately 576 full-time employees (2014: 705). The decrease in number of staff was mainly due to the disposal of the Disposal Subsidiaries during the year. Staff costs for the year 2015 (excluding directors' remuneration and those incurred for the discontinued operations) was RMB48.2 million (2014: RMB43.6 million). The Company issued share options to certain directors and employees in August 2015. Subject to the vesting conditions, the options are to be vested in maximum 2 years. They were valued at HK$20 million (approximately RMB16.6 million) at 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 date of grant to 31 December 2015 were charged to the profit for the year 2015 as share based payments.

As at 31 December 2016, the CFE Group had 550 full-time employees (2015: 576). Staff costs for the year (excluding directors' remuneration and those incurred for the discontinued operations) was RMB53.2 million (2015: RMB48.2 million). The Company issued share options to certain directors and employees in August 2015. The value of options charged to the profit for the year as share based payments was HK$10 million (approximately RMB8.6 million).

As at 30 September 2017, the CFE Group had approximately 559 full-time employees (2016: 536). Staff costs, excluding directors' remuneration, for the period amounted to RMB39 million, increased by 16.8% over the RMB33.4 million for the same period in 2016. In addition to the growth in number of staff, staff cost increased because bonus to staff amounting to approximately RMB3.3 million has been accrued for as at 30 September 2017, whereas the bonus for 2016 were accrued for in December 2016. The value of the options charged to the profit for the period as share based payments was HK$5 million (approximately RMB4.4 million) (2016: HK$7.5 million or approximately RMB6.4 million).

All full-time employees are entitled to medical contributions, provident funds and retirement plans. The CFE Group provides 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. The Company adopted a share option scheme which offers eligible employees an incentive for better performance and loyalty with the CFE Group.

(e) Principal risks and uncertainties

The fire engines and equipment market in the PRC is highly competitive with low entry barrier. Competitions come from not only domestic manufacturers but also foreign imports, especially in the high-end market. Quality products that tailored for market needs are the cornerstone on which the CFE Group to stand firm in the industry and to maintain sustainable growth in such environment. In this regard, the CFE Group is facing risks and uncertainties in respect of:

Product development

The CFE Group's long term profitability depends on its ability to successfully develop, launch and market its new products.

Human capital

A decisive factor for the CFE Group's success is its employees and their knowledge and competence. Future development depends on the CFE Group's ability to maintain its position as an attractive employer.

3. STATEMENT OF INDEBTEDNESS

Indebtedness of the Enlarged Group

As at 31 January 2018, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Enlarged Group had total borrowings of approximately RMB112.3 million. Details of the total borrowings are summarised below:

	RMB'000
Unsecured bank loan	112,323

The borrowings are repayable as follows:

	RMB'000
Within one year	112,323

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Enlarged Group, as at 31 January 2018, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges or other material contingent liabilities or guarantees.

4. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Enlarged Group, including internally generated funds, existing bank and other borrowings and the available banking facilities, the Enlarged Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

5. MATERIAL CHANGE OF CFE GROUP

It estimated that total professional fees incurred for potential and actual acquisitions by the CFE Group for the year ended 31 December 2017 and the month ended 31 January 2018 amount to approximately RMB25 million ("**Acquisition Professional Fees**") (as compared with the relevant expenses of RMBnil for the year ended 31 December 2016 and RMB5.7 million for the nine months ended 30 September 2017).

The CFE Group does not expect to have any further provision in respect of a potential claim of a rental dispute for the year ended 31 December 2017 and the month ended 31 January 2018 (as compared with the relevant one-off provision of RMB16 million for the year ended 31 December 2016).

Save for (1) the Proposed Acquisitions, (2) the Subscription, and (3) the Acquisition Professional Fees, the CFE Directors confirm that there had been no material change in the financial or trading position or outlook of the CFE Group since the date to which the latest published audited consolidated financial statements of the CFE Group were made up, being 30 September 2017, up to the Latest Practicable Date.

6. FINANCIAL EFFECTS OF THE TRANSACTION

Following completion of the Proposed Pteris Acquisition (regardless of whether the Proposed TianDa Acquisition takes place), Pteris will become a non-wholly owned subsidiary of the Company and the financial information of the Pteris Group (including the TianDa Group) will be consolidated into the consolidated financial statements of the Group.

Assuming the Pteris Completion and the Subscription take place and the TianDa Completion does not take place, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular:

(i) the profit attributable to equity holders of the Company for the year ended 31 December 2016 would have increased by approximately RMB34 million, from approximately RMB17 million to approximately RMB51 million, assuming the Pteris Completion and the Subscription had taken place on 1 January 2016;

(ii) the total assets of the Group would have increased by RMB3,418 million, from RMB1,352 million to RMB4,770 million, assuming the Pteris Completion and the Subscription had taken place on 30 September 2017;

(iii) the total liabilities of the Group would have increased by RMB1,904 million, from RMB241 million to RMB2,145 million, assuming the Pteris Completion and the Subscription had taken place on 30 September 2017; and

(iv) the current ratio of the Group (current assets/current liabilities) would have decreased from 2.4 to 1.5, and the gearing ratio of the Group (interest bearing debt/equity (non-controlling interests excluded)) would have increased from 0 to 9.8%, assuming the Pteris Completion and the Subscription had taken place on 30 September 2017.

Assuming the Pteris Completion, the TianDa Completion and the Subscription take place, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular:

(i) the profit attributable to equity holders of the Company for the year ended 31 December 2016 would have increased by approximately RMB71 million, from approximately RMB17 million to approximately RMB88 million, assuming the Pteris Completion, the TianDa Completion and the Subscription had taken place on 1 January 2016;

(ii) the total assets of the Group would have increased by RMB3,418 million, from RMB1,352 million to RMB4,770 million, assuming the Pteris Completion, the TianDa Completion and the Subscription had taken place on 30 September 2017;

(iii) the total liabilities of the Group would have increased by RMB1,938 million, from RMB241 million to RMB2,179 million, assuming the Pteris Completion, the TianDa Completion and the Subscription had taken place on 30 September 2017; and

(iv) the current ratio of the Group (current assets/current liabilities) would have decreased from 2.4 to 1.5, and the gearing ratio of the Group (interest bearing debt/equity (non-controlling interests excluded)) would have increased from 0 to 10.3%, assuming the Pteris Completion, the TianDa Completion and the Subscription had taken place on 30 September 2017.

For details of the unaudited pro forma financial information on the Enlarged Group and its basis of preparation, please refer to Appendix IV to this circular.

7. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The CFE Group is principally engaged in in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment. The 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. According to Frost & Sullivan, in 2016, Pteris Group (including TianDa Group) ranked the second largest supplier of passenger boarding bridges in the world in terms of revenue and the fifth largest supplier of airport logistic systems in terms of contract value in the PRC and the largest supplier of airport apron buses in the PRC in terms of revenue. Upon completion of the Proposed Acquisitions, the Enlarged Group will continue to develop the existing businesses of the CFE Group and the Pteris Group.

The CFE Group

Save for the Proposed Acquisitions, the Company will further develop its existing business by both internal growth through investments in the development of new products and new markets and external growth through acquisitions.

The market for fire engines in China is quite divided geographically and between domestic and foreign imports. To extend its geographical range and to catch up with its foreign counterparts, the Group has been powering up its product development capacity through (i) investment and acquisitions of advanced foreign fire engines manufacturers like the acquisition of Ziegler in 2015 and (ii) strengthening its internal development function.

Products currently on the development plans include: (i) aerial lifting fire trucks with longer working heights, like the 32-metre and 52-metre ladder trucks and aerial platform trucks, and the 60-metre jet spray fire trucks; (ii) airport rapid mobilization fire trucks that is designed with rapid speed acceleration to tackle fire on planes running at high speed; and (iii) upgrading of other existing product series for improved functionality. By leveraging the reputation and relationship established by Pteris and TianDa with airports in different regions in the PRC, the CFE Group plans to expand into the market with its airport rapid mobilization fire trucks which are currently dominated by foreign imports. Besides, the CFE Group intends to extend its geographical penetration, mainly in the Middle East and the South East Asia, by participating in exhibitions in the regions and recruiting of local distributors to build up local distribution networks. The Company may also consider acquisitions in the fire engines market in the PRC and overseas should the opportunity arise. No agreement, arrangement and understanding had been reached or entered into by the Company in respect of any potential acquisition up to the Latest Practicable Date.

The Company currently has no plan to dispose, scale-down or terminate any of its existing business and/or major operating assets, or any plan to inject any new business to the Group.

For its long-term vibrant growth, the CFE Group will, as always, design and develop new models of fire engines and fire equipment that equipped with new functions to catch up with the ever-changing market needs, and acquire new production technologies so as to enhance the CFE Group's competitiveness.

The Pteris Group

Leveraging on the country's efforts to develop the "Belt and Road" infrastructure and opportunities for the construction of domestic aviation infrastructure, the Pteris Group will continue to consolidate its leadership position in the domestic boarding bridges, ground support equipment, baggage handling systems and automated warehouses markets. At the same time, as the Pteris Group further expands in the international market, its resources will be especially concentrated in the U.S. market. On the European market perspective, the international marketing team cooperates with the European Operations Center to expand sales channels in the Middle East, Africa and South America markets and increase market share in these markets.

The Pteris Group has production facilities located in different geographical regions. The Pteris Group will continue to reorganize and enhance its production facilities and process in respect of its different business segments with a view to improving its product competitiveness.

At the same time, the Pteris Group will seize the opportunity of developing new energy bus stations in Shenzhen and leverage on the company's pioneering "mechanical smart bus parking garage" (機械式智慧公交立體停車庫) which has the unique feature of low operating costs and small area occupancy. The Pteris Group strives to maintain the leadership position in this segment.

Future investments

Upon completion of the Subscription, the Company will receive net proceeds of approximately HK$243.7 million, of which approximately HK$218.9 million will be primarily invested into the Pteris Group in the following manner:

(i) the construction of a new PBB factory in the U.S.;

(ii) the expansion of the Pteris Group's PBB business into overseas markets such as the U.S., Canada, the Netherlands and Dubai by, among other things, setting up services companies to upgrade aged passenger boarding bridges and providing general after-sales support services in the aforementioned regions; and

(iii) research and development activities, including but not limited to those relating to visually intelligent docking guidance systems for the PBB business segment, fully automated connection systems for the PBB and GSE business segments and automated guided vehicles for the MHS and APS business segments.

ACCOUNTANT'S REPORT

The following is the text of a report set out on pages III(A)-1 to III(A)-3, received from Pteris'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 CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED

Introduction

We report on the historical financial information of Pteris Global Limited ("Pteris") and its subsidiaries (together, the "Pteris Group") set out on pages III(A)-4 to III(A)-115, which comprises Pteris's consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017, and the consolidated statements of profit or loss, 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 "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III(A)-4 to III(A)-115 forms an integral part of this report, which has been prepared for inclusion in the circular of China Fire Safety Enterprise Group Limited (the "Company") dated 15 March 2018 (the "Circular") in connection with the proposed acquisition of Pteris 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 Notes 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 Pteris Group for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the management of China International Marine Containers (Group) Co., Ltd., the ultimate holding company of Pteris, based on the previously issued financial statements and management accounts of the Pteris Group for the Relevant Periods. The directors of Pteris are responsible for the preparation of the previously issued financial statements and management accounts of the Pteris Group in accordance with the relevant accounting principles generally accepted in their 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.

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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 Notes 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 Pteris as at 31 December 2014, 2015 and 2016 and 30 September 2017 and the consolidated financial position of the Pteris Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with the basis of preparation set out in Notes 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 Pteris Group which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended 30 September 2016 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 Notes 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 Notes 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
15 March 2018

PTERIS GLOBAL LIMITED

I HISTORICAL FINANCIAL INFORMATION OF THE PTERIS 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 financial statements of the Pteris Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

(a) Consolidated Statements of Profit or Loss

		Year ended December 31,			Nine months ended September 30,	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Revenue	6	240,581	341,335	317,281	131,587	141,376
Cost of sales	11	(184,528)	(276,006)	(243,390)	(100,024)	(107,911)
Gross profit		56,053	65,329	73,891	31,563	33,465
Other income	7	3,100	11,848	11,910	7,174	8,204
Selling and distribution expenses	11	(11,057)	(12,037)	(12,409)	(9,096)	(7,266)
General and administrative expenses	11	(33,387)	(42,939)	(51,573)	(38,737)	(33,009)
Other gains/(losses) - net	8	2,803	2,157	7,074	2,540	(1,553)
Operating profit/(loss)		17,512	24,358	28,893	(6,556)	(159)
Finance costs	9	(809)	(2,506)	(1,479)	(1,161)	(1,126)
Profit/(loss) before income tax		16,703	21,852	27,414	(7,717)	(1,285)
Income tax expense	10	(3,360)	(3,525)	(4,122)	(22)	(259)
Profit/(loss) for the year/period		13,343	18,327	23,292	(7,739)	(1,544)
Profit/(loss) for the year/period attributable to:						
– Equity holders of Pteris		13,019	13,210	14,901	(8,536)	(901)
– Non-controlling interests		324	5,117	8,391	797	(643)
		13,343	18,327	23,292	(7,739)	(1,544)

(b) Consolidated Statements of Comprehensive Income

		Year ended December 31,			Nine months ended September 30,	
		2014	2015	2016	2016	2017
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
					(unaudited)	
Profit/(loss) for the year/period		13,343	18,327	23,292	(7,739)	(1,544)
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Currency translation differences		3,298	(468)	(6,589)	(8,639)	(2,255)
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/period, net of tax		3,298	6,190	(6,589)	(8,639)	(2,132)
Total comprehensive income for the year/period		16,641	24,517	16,703	(16,378)	(3,676)
Total comprehensive income for the year/period attributable to:						
– Equity holders of Pteris		16,317	18,131	9,859	(14,751)	(2,112)
– Non-controlling interests		324	6,386	6,844	(1,627)	(1,564)
		16,641	24,517	16,703	(16,378)	(3,676)

(c) Consolidated Statements of Financial Position

		As at December 31,			As at September 30,
		2014	**2015**	**2016**	**2017**
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
ASSETS					
Non-current assets					
Land use rights	14	14,331	15,281	14,358	13,834
Property, plant and equipment	15	102,554	109,098	115,711	109,790
Investment properties	16	–	48,316	48,844	50,337
Intangible assets	17	26,169	35,835	32,960	47,096
Deferred income tax assets	26	4,269	5,186	5,477	6,348
Other non-current assets		72	72	62	–
		147,395	213,788	217,412	227,405
Current assets					
Inventories	21	58,754	47,771	59,899	128,804
Amounts due from contract customers	23	24,510	17,363	29,891	23,961
Trade receivables	22	162,910	176,879	195,934	138,741
Prepayments and other receivables	22	26,104	21,144	28,345	56,262
Assets held for sale	25	–	3,218	–	–
Other financial assets	20	118	106	110	237
Pledged bank deposits	24	2,206	2,212	108	111
Cash and cash equivalents	24	48,949	31,425	54,822	63,630
		323,551	300,118	369,109	411,746
Total assets		470,946	513,906	586,521	639,151
EQUITY					
Equity attributable to owners of Pteris					
Share capital	27	97,819	97,819	104,781	104,781
Reserves	28	73,556	113,750	119,755	118,635
		171,375	211,569	224,536	223,416
Non-controlling interests		1,801	40,962	47,806	50,500
Total equity		173,176	252,531	272,342	273,916

		As at December 31,			As at September 30,
		2014	2015	2016	2017
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
LIABILITIES					
Non-current liabilities					
Trade and other payables	29	–	2,739	16,563	16,451
Borrowings	30	–	1,277	9,849	9,653
Deferred income tax liabilities	26	249	1,211	1,437	1,700
Deferred income	32	8,764	9,488	10,848	15,113
		9,013	14,715	38,697	42,917
Current liabilities					
Trade and other payables	29	171,652	198,876	232,862	273,771
Amounts due to contract customers	23	5,483	5,602	7,040	9,551
Borrowings	30	91,914	20,004	12,296	20,922
Provisions	31	14,868	17,264	18,362	17,557
Other financial liabilities	20	–	442	1	–
Current income tax liabilities		4,840	4,472	4,921	517
		288,757	246,660	275,482	322,318
Total liabilities		297,770	261,375	314,179	365,235
Total equity and liabilities		470,946	513,906	586,521	639,151

(d) Statements of Financial Position

		As at December 31,			As at September 30,
		2014	2015	2016	2017
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
ASSETS					
Non-current assets					
Property, plant and equipment	15	19,869	7,323	6,887	6,138
Investment properties	16	–	33,972	34,568	36,134
Interests in subsidiaries	18	201,071	145,605	149,455	154,062
Other non-current assets		72	72	62	–
		221,012	186,972	190,972	196,334
Current assets					
Inventories		4	4	2	2
Amounts due from contract customers	23	10,944	5,155	5,836	4,620
Trade receivables	22	41,868	41,799	40,221	38,274
Prepayments and other receivables	22	6,081	17,721	18,601	12,285
Pledged bank deposits	24	2,200	2,212	–	–
Cash and cash equivalents	24	5,321	6,355	12,720	8,716
		66,418	73,246	77,380	63,897
Total assets		287,430	260,218	268,352	260,231
EQUITY					
Equity attributable to owners of Pteris					
Share capital	27	247,410	247,410	254,372	254,372
Reserves	28	(48,995)	(20,609)	(21,099)	(22,229)
Total equity		198,415	226,801	233,273	232,143

		As at December 31,			As at September 30,
		2014	2015	2016	2017
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
LIABILITIES					
Current liabilities					
Trade and other payables	29	31,441	21,077	21,290	12,246
Amounts due to contract customers	23	2,930	1,069	2,833	3,431
Borrowings	30	52,139	8,512	8,129	10,165
Provisions	31	2,505	2,384	2,452	2,246
Current income tax liabilities		–	375	375	–
		89,015	33,417	35,079	28,088
Total liabilities		89,015	33,417	35,079	28,088
Total equity and liabilities		287,430	260,218	268,352	260,231

(e) Consolidated Statements of Changes in Equity

		Attributable to owners of Pteris						
		Share capital	Surplus reserves	Currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Balance as at January 1, 2014		21,504	1,945	(2,671)	57,965	78,743	1,926	80,669
Comprehensive income								
– Profit for the year		–	–	–	13,019	13,019	324	13,343
Other comprehensive income								
– Currency translation differences		–	–	3,298	–	3,298	–	3,298
Total comprehensive income		–	–	3,298	13,019	16,317	324	16,641
Transaction with owners								
– Issuance of shares pursuant to reverse acquisition	27	41,498	–	–	–	41,498	–	41,498
– Deferred shares	27	34,786	–	–	–	34,786	–	34,786
– Issuance of shares as part of the payment of professional fees for the reverse acquisition	27	550	–	–	–	550	–	550
– Issuance of advanced monies shares for the reverse acquisition	27	1,200	–	–	–	1,200	–	1,200
– Share issuance expenses		(1,719)	–	–	–	(1,719)	–	(1,719)
– Dividends to non-controlling interests		–	–	–	–	–	(449)	(449)
Total transactions with owners, recognised directly in equity		76,315	–	–	–	76,315	(449)	75,866
Balance at December 31, 2014		97,819	1,945	627	70,984	171,375	1,801	173,176

		Attributable to owners of the Pteris								
		Share capital	**Assets revaluation reserve**	**Surplus reserves**	**Other Reserves**	**Currency translation reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*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(f)	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
Unaudited:										
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										
– Loss for the period		–	–	–	–	–	(8,536)	(8,536)	797	(7,739)
Other comprehensive income										
– Currency translation differences		–	–	–	–	(6,215)	–	(6,215)	(2,424)	(8,639)
Total comprehensive income for the period		–	–	–	–	(6,215)	(8,536)	(14,751)	(1,627)	(16,378)
Transaction with owners										
– Issuance of deferred shares	27(f)	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 September 30, 2016		104,781	4,946	1,945	22,063	(6,180)	72,371	199,926	39,335	239,261

		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										
– Loss for the period		–	–	–	–	–	(901)	(901)	(643)	(1,544)
Other comprehensive income										
– Currency translation differences		–	–	–	–	(1,334)	–	(1,334)	(921)	(2,255)
– 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 period		–	123	–	–	(1,334)	(901)	(2,112)	(1,564)	(3,676)
Transaction with owners										
– Disposal of a subsidiary without loss of control	28(c)	–	–	–	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 September 30, 2017		104,781	5,069	1,945	23,055	(6,341)	94,907	223,416	50,500	273,916

(f) Consolidated Statements of Cash Flows

		Year ended December 31,			Nine months ended September 30,	
		2014	2015	2016	2016	2017
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Cash flow from operating activities						
Profit/(loss) before income tax		16,703	21,852	27,414	(7,717)	(1,285)
Adjustments for:						
Depreciation and amortisation		2,359	6,720	7,765	5,177	6,333
Loss/(gain) on disposal of property, plant and equipment		488	30	(91)	(87)	62
Property, plant and equipment written off		–	42	–	–	3
Interest income		(535)	(398)	(316)	(195)	(295)
Dividend income		(3)	(6)	(8)	(3)	(4)
Interest expense		798	2,500	1,464	1,161	1,112
Loss/(gain) from change in fair value of other financial assets		581	489	239	671	(106)
The excess of fair value of total identifiable net assets over the consideration	35(ii)	–	325	–	–	–
Gain from change in fair value of contingent consideration		(504)	–	–	–	–
Loss on issuance of deferred shares		–	–	6,962	6,962	–
Gain on fair value of investment properties		–	–	(1,005)	(728)	(210)
Gain on disposal of assets held for sales		–	–	(3,281)	–	–
Gain on disposal of other non-current assets		–	–	(1,640)	(1,640)	–
Operating profit before working capital changes		19,887	31,554	37,503	3,601	5,610
Inventories and construction work-in-progress		(11,079)	24,758	(23,767)	(54,190)	(57,739)
Trade and other receivables		(38,932)	(27,581)	(19,391)	55,468	32,236
Trade and other payables		42,522	71	56,396	28,587	37,309
Provisions		3,910	1,891	(2,068)	(356)	(634)
Cash generated from operations		16,308	30,693	48,673	33,110	16,782
Income tax paid		(3,061)	(4,708)	(4,241)	(3,287)	(5,218)
Net cash generated from operating activities		13,247	25,985	44,432	29,823	11,564

	Note	Year ended December 31, 2014 SGD'000	2015 SGD'000	2016 SGD'000	Nine months ended September 30, 2016 SGD'000 (unaudited)	2017 SGD'000
Cash flow from investing activities						
Additions to property, plant and equipment and intangible assets		(12,139)	(41,610)	(16,687)	(15,182)	(14,110)
Government grants relating acquisition of assets received		–	1,056	3,259	3,211	1,269
Proceeds from sale of property, plant and equipment		2	58	155	125	101
Proceeds from sale of other non-current assets		–	–	1,650	1,650	–
Proceeds from sales of assets held for sale		–	–	6,499	–	–
Interest received		535	398	475	188	295
Dividend received		3	6	8	3	4
Acquisition of a subsidiary, net of cash acquired	35	–	(1,393)	–	–	(915)
Net cash from reverse acquisition	35(i)	20,491	–	–	–	–
Net cash flows generated from/(used in) investing activities		8,892	(41,485)	(4,641)	(10,005)	(13,356)
Cash flow from financing activities						
Proceeds of borrowings from related companies		51,428	39,605	38,756	38,756	13,274
Repayment of borrowings to related companies		(49,443)	(55,447)	(55,659)	(50,329)	(7,148)
Advances received from related companies, net		–	17,806	–	–	–
Proceeds of borrowings from banks		18,514	22,984	14,027	8,181	3,940
Repayment of borrowings to banks		–	(78,403)	(10,115)	(10,115)	(1,389)
Payment of finance lease liabilities		(28)	–	–	–	–
Interest paid		(2,322)	(2,731)	(1,561)	(1,241)	(1,094)
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
Decrease/(increase) in cash pledged for financing		6	(6)	2,212	2,212	–
Dividend paid		–	(749)	(3,854)	(3,854)	–
Net cash generated from/(used in) financing activities		18,155	(1,803)	(16,194)	(16,390)	10,685

		Year ended December 31,			Nine months ended September 30,	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
					(unaudited)	
Net increase/(decrease) in cash and cash equivalents		40,294	(17,303)	23,597	3,428	8,893
Cash and cash equivalents at beginning of the year/period		7,940	48,949	31,425	31,425	54,822
Exchange gains/(losses) on cash and cash equivalents		715	(221)	(200)	(169)	(85)
Cash and cash equivalents at end of the year/period	24	48,949	31,425	54,822	34,684	63,630

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 Historical 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

All new standards, amendments to standards and interpretations, which are mandatory for the financial period beginning on 1 January 2017 are consistently applied to the Pteris Group for the Relevant Periods.

The adoption of these new or amended HKFRS did not result in substantial changes to the accounting policies of the Pteris Group and Pteris and had no material effect on the amounts reported for the current or prior financial years.

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Pteris Group's accounting periods beginning after 1 January 2018 and which the Pteris Group has not early adopted:

- HKFRS 15 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces HKAS 11 Construction contracts, HKAS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

(i) Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

(ii) Rights of return – HKFRS 15 requires separate presentation on the statements of financial position of the right to recover the goods from the customer and the refund obligation; and

(iii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

At this stage, the Pteris Group is not able to estimate the impact of the new rules on the Pteris Group's financial statements. The Pteris Group will make more detailed assessment of the impact over the next twelve months.

- HKFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Pteris Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Pteris Group include:

(i) equity instruments currently classified as AFS for which FVOCI election is available

(ii) equity investments currently measured at fair value through profit or loss which would likely to continue to be measured on the same basis under HKFRS 9, and

(iii) debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

Accordingly, the Pteris Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

There will be no impact on the Pteris 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 Pteris Group does not have any such liabilities. 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. While the Pteris Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Pteris Group does not intend to adopt HKFRS 9 before its mandatory date.

- HKFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

HKFRS 16 will result in almost all leases being recognised on the lessee's statements of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Pteris Group's operating leases. As at September 30, 2017, the Pteris Group has non-cancellable operating lease commitments of SGD17,444,000 (Note 34). However, the Pteris Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Pteris Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

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 year ended December 31, 2014,2015 and 2016 and the nine months ended September 30, 2016 and 2017 from management's estimates, the Pteris Group's profit would have been lower/higher by SGD1,300,000 and SGD1,800,000, SGD9,904,000 and SGD1,674,000, SGD5,273,000 and SGD5,927,000, SGD581,000 and SGD3,365,000 and SGD974,000 and SGD5,699,000 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, 2014, 2015 and 2016 and September 30, 2017, the Pteris Group recorded allowance for impairment of trade and other receivables amounting to SGD10,190,000, SGD11,909,000, SGD11,956,000 and SGD11,174,000. 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 31.

(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, 2014, 2015 and 2016 and September 30, 2017 are as follows:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Assets				
United States dollars ("USD")	69,616	80,706	63,822	59,935
Euro ("EUR")	12,836	16,284	27,921	15,333
Total	82,452	96,990	91,743	75,268
Liabilities				
USD	(28,918)	(33,308)	(18,129)	(15,671)
EUR	(2,010)	(166)	(12,290)	(27,013)
Total	(30,928)	(33,474)	(30,419)	(42,684)

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,			Nine months ended September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
– if SGD strengthens against foreign currencies				
USD	(2,033)	(2,370)	(2,290)	(2,213)
EUR	(541)	(806)	(782)	546
– if SGD weakens against foreign currencies				
USD	2,033	2,370	2,290	2,213
EUR	541	806	782	(546)

(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, 2014, 2015 and 2016 and September 30, 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 SGD956,000, SGD464,000, SGD357,000 and SGD439,000, 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, 2014, 2015 and 2016 and September 30, 2017, the trade receivables of the Pteris Group and of Pteris comprise 19, 17, 25 and 10 debtors and 2, 2, 13 and 1 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.

The Pteris Group	**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, 2014					
Bank borrowings (including interest payable upon maturity)	93,655	–	–	–	93,655
Trade and other payables excluding non-financial liabilities	124,275	–	–	–	124,275
Total	217,930	–	–	–	217,930

The Pteris Group	**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, 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
At 30 September 2017					
Bank borrowings (including interest payable upon maturity)	21,725	10,111	–	–	31,836
Trade and other payables excluding non-financial liabilities	133,155	13,999	537	–	147,691
Total	154,880	24,110	537	–	179,527

Pteris	**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, 2014					
Bank borrowings (including interest payable upon maturity)	52,682	–	–	–	52,682
Trade and other payables excluding non-financial liabilities	29,173	–	–	–	29,173
Total	81,855	–	–	–	81,855
At December 31, 2015					
Bank borrowings (including interest payable upon maturity)	8,531	–	–	–	8,531
Trade and other payables excluding non-financial liabilities	18,728	–	–	–	18,728
Total	27,259	–	–	–	27,259

Pteris	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, 2016					
Bank borrowings (including interest payable upon maturity)	8,174	–	–	–	8,174
Trade and other payables excluding non-financial liabilities	20,376	–	–	–	20,376
Total	28,550	–	–	–	28,550
At 30 September 2017					
Bank borrowings (including interest payable upon maturity)	10,215	–	–	–	10,215
Trade and other payables excluding non-financial liabilities	11,545	–	–	–	11,545
Total	21,760	–	–	–	21,760

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 *SGD'000*	Level 2 *SGD'000*	Level 3 *SGD'000*	Total *SGD'000*
At December 31, 2014				
Assets				
Derivative financial instruments	–	40	–	40
Equity securities designated at fair value through profit or loss	78	–	–	78
Total assets	78	40	–	118

	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 September 30, 2017				
Assets				
Derivative financial instruments	–	22	–	22
Equity securities designated at fair value through profit or loss	215	–	–	215
Total assets	215	22	–	237

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

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, 2014			
Amounts due from subsidiaries, trade	3,644	(2,118)	1,526
Total	3,644	(2,118)	1,526
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 September 30, 2017			
Amounts due from subsidiaries, trade	6,319	(1,225)	5,094
Total	6,319	(1,225)	5,094

(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, 2014			
Amounts due to subsidiaries, trade	2,118	(2,118)	–
Total	2,118	(2,118)	–
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 September 30, 2017			
Amounts due to subsidiaries, trade	1,225	(1,225)	–
Total	1,225	(1,225)	–

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, 2014				
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Reconciliations – eliminations of inter-segment revenue and balances**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Revenue					
External revenue	153,917	66,115	20,549	–	240,581
Inter-segment revenue	–	381	–	(381)	–
Total revenue	153,917	66,496	20,549	(381)	240,581
Profit or loss					
Interest income	96	428	11	–	535
Finance costs	154	595	60	–	809
Depreciation	448	1,463	71	–	1,982
Amortisation	290	53	34	–	377
Reportable segment profit/ (loss) before income tax	17,933	(3,843)	2,613	–	16,703

	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

	Nine Months Ended September 30, 2016 (unaudited)			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
External revenue	51,950	55,468	24,169	131,587
Profit or loss				
Interest income	60	95	40	195
Finance costs	1,024	112	25	1,161
Depreciation	3,469	650	105	4,224
Amortisation	867	5	81	953
Reportable segment profit/(loss) before income tax	2,007	(10,746)	1,022	(7,717)

	Nine Months Ended September 30, 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	63,299	51,082	26,995	141,376
Profit or loss				
Interest income	77	186	32	295
Finance costs	940	172	14	1,126
Depreciation	3,825	615	172	4,612
Amortisation	1,564	26	52	1,642
Reportable segment profit/(loss) before income tax	1,153	(4,104)	1,666	(1,285)

	At December 31, 2014			
	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	103,684	48,108	11,118	162,910
Inventories	50,570	3,144	5,040	58,754
Amounts due from contract customers	–	24,510	–	24,510
Property, plant and equipment	37,596	64,496	462	102,554
Intangible assets	2,111	23,261	401	25,773
Unallocated				96,445
				470,946
Segment assets includes:				
Additions to property, plant and equipment				13,753
Additions to intangible assets				23,261
Liabilities				
Reportable segment liabilities				
Other payables	31,231	3,127	2,415	36,773
Borrowings	39,775	52,139	–	91,914
Provisions	9,353	4,192	1,323	14,868
Amounts due to contract customers	–	5,483	–	5,483
Unallocated				148,732
				297,770

	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 30 September 2017				
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Reconciliations – eliminations of inter-segment revenue and balances**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Assets					
Reportable segment assets					
Trade receivables	96,609	35,735	6,397	–	138,741
Inventories	99,664	14,142	14,998	–	128,804
Amounts due from contract customers	–	23,961	–	–	23,961
Properties, plant and equipment	87,135	21,643	1,012	–	109,790
Investment properties	14,203	36,134	–	–	50,337
Intangible assets	20,408	25,831	411	–	46,650
Unallocated					140,868
					639,151
Segment assets includes:					
Additions to property, plant and equipment					2,548
Additions to intangible assets					11,562
Liabilities					
Reportable segment liabilities					
Other payables	117,626	21,653	2,028	(5,303)	136,004
Borrowings	19,864	10,165	546	–	30,575
Provisions	8,608	6,366	2,583	–	17,557
Amounts due to contract customers	–	9,551	–	–	9,551
Unallocated					171,548
					365,235

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, 2014	December 31, 2015	December 31, 2016	September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Segment assets for reportable segments	374,501	434,752	482,800	498,283
Unallocated:				
Cash and cash equivalents	51,155	33,637	54,930	63,741
Prepayment and other receivables	26,104	21,144	28,345	56,262
Intangible assets	396	510	439	446
Land use rights	14,331	15,281	14,358	13,834
Others	4,459	8,582	5,649	6,585
	470,946	513,906	586,521	639,151

Segment liabilities

	December 31, 2014	December 31, 2015	December 31, 2016	September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Segment liabilities for reportable segments	149,038	83,531	114,468	193,687
Unallocated:				
Trade and other payables	134,879	159,492	165,941	138,300
Provision for taxation	4,840	4,472	4,921	517
Deferred income tax liabilities	249	1,211	1,437	1,700
Deferred income	8,764	9,488	10,848	15,113
Others	–	3,181	16,564	15,918
	297,770	261,375	314,179	365,235

(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,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Revenue					
Middle East	27,768	4,772	12,671	2,117	3,683
People's Republic of China	134,358	240,515	186,034	67,947	69,752
Asia	23,858	33,067	19,674	12,717	20,091
North America	12,498	26,611	21,549	10,918	12,566
South America	3,246	3,517	9,226	1,747	81
Oceania	9,412	4,563	8,083	7,287	1,987
Europe	20,313	19,438	40,146	19,725	26,585
Africa	9,128	8,852	19,898	9,129	6,631
	240,581	341,335	317,281	131,587	141,376

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Non-current assets (excluding deferred tax assets and goodwill)				
Singapore	58,812	56,853	56,205	55,355
Middle East	8	32	23	14
People's Republic of China	56,597	129,505	133,537	140,623
India	1	1	–	–
France	–	26	22	142
United States of America	105	100	78	116
Malaysia	3,941	–	–	–
	119,464	186,517	189,865	196,250

(c) Revenue from major customers

During the years ended December 31, 2014, 2015 and 2016 and nine months ended September 30, 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. During the Relevant Periods, the revenue contributed from these customers are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Customer A	–	42,582	–	–	–

6 REVENUE

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Sales of goods	174,374	210,456	213,814	75,830	85,120
Construction contracts	36,176	84,192	65,078	41,866	44,724
Services rendered	30,031	46,687	38,389	13,891	11,532
	240,581	341,335	317,281	131,587	141,376

7 OTHER INCOME

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Interest income	535	398	316	195	295
Government grants	571	5,959	5,435	2,399	2,834
Rental income	1,430	3,721	5,238	3,971	4,324
Sale of scrap materials	281	395	353	285	257
Dividend income	3	6	8	3	4
Others	280	1,369	560	321	490
	3,100	11,848	11,910	7,174	8,204

8 OTHER GAINS/(LOSSES) – NET

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
Gain on disposal of assets held for sale	–	–	3,281	–	–
Gain on disposal of other non-current assets	–	–	1,640	1,640	–
(Loss)/gain on disposal of property, plant and equipment	(488)	(30)	91	87	(62)
Gain/(loss) on fair value of derivative financial instruments	770	(295)	(243)	427	(125)
Gain on fair value of investment properties	–	–	1,005	728	210
(Loss)/gain on fair value of other financial assets	(586)	(489)	(239)	(671)	106
Gain from change in fair value of contingent consideration	504	–	–	–	–
Write-back of guarantees for third parties	–	–	833	833	438
Net foreign exchange gains/ (losses)	2,170	2,115	625	(634)	(2,291)
The excess of fair value of total identifiable net asset over the consideration *(Note 35(ii)(b))*	–	325	–	–	–
Others	433	531	81	130	171
	2,803	2,157	7,074	2,540	(1,553)

9 FINANCE COSTS

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
Finance costs:					
– Interest expense on loans from related parties	990	1,728	907	766	473
– Interest expense on bank borrowings	1,145	1,671	557	395	639
Less: interest expense capitalised	(1,337)	(899)	–	–	–
Others	11	6	15	–	14
	809	2,506	1,479	1,161	1,126

10 INCOME TAX EXPENSE

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Current income tax					
– Current tax on profits for the year/period	4,774	3,827	4,293	600	412
– Under provision in prior years	66	375	17	–	515
Deferred income tax *(Note 26)*	(1,480)	(677)	(188)	(578)	(668)
Income tax expense	3,360	3,525	4,122	22	259

(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% during the Relevant Periods.

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% during the Relevant Periods.

(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 during the Relevant Periods.

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 Relevant Periods is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Profit/(loss) before income tax	16,703	21,852	27,414	(7,717)	(1,285)
Tax calculated at tax rate of 17%	2,840	3,715	4,660	(1,312)	(218)
Tax effect of:					
Expenses not deductible for tax purpose	454	440	1,577	1,289	749
Income not subject to income tax and tax incentive	(406)	(594)	(938)	(604)	(792)
Utilization of previously unrecognised tax losses	–	(514)	(289)	–	(181)
Under provision in prior years	66	375	17	–	515
Effect of different tax rates of subsidiaries	(823)	(139)	(2,223)	(1,106)	(312)
Deferred tax benefits not recognised (a)	1,237	266	1,217	1,760	506
Others	(8)	(24)	101	(5)	(8)
Income tax expense	3,360	3,525	4,122	22	259

(a) 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 (charge)/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, 2014	–	–	–
Year ended December 31, 2015	7,665	(1,007)	6,658
Year ended December 31, 2016	–	–	–
Nine months period ended September 30, 2016 (unaudited)	–	–	–
Nine months period ended September 30, 2017	123	–	123

11 EXPENSES BY NATURE

	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2016	Nine months ended September 30, 2016	Nine months ended September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Cost of inventories	113,270	160,089	134,436	53,220	59,850
Subcontracting expenses	13,554	43,347	30,786	20,382	16,029
Loss on issuance of deferred shares *(Note 27(f))*	–	–	6,962	6,962	–
Employee benefit expenses *(Note 12)*	37,260	48,810	51,330	38,010	40,120
Amortisation of land use rights *(Note 14)*	279	425	327	246	239
Amortisation of intangible assets *(Note 17)*	70	1,015	792	707	1,402
Auditors fees	365	375	293	244	205
Depreciation of property, plant and equipment *(Note 15)*	1,982	5,639	6,646	4,224	4,692
Provision for/(write-back of) impairment of trade receivables *(Note 22)*	3,014	1,662	3,581	(1,434)	(33)
Research and development expenses	1,292	1,914	3,451	2,917	4,077
Shipping fees	11,477	10,778	9,374	4,289	4,678
Entertainment expense	1,058	2,122	2,925	1,594	1,319
Transportation and travelling expense	1,807	2,141	3,151	2,071	4,222
Operating lease expense	2,665	1,585	1,517	1,434	977
Warranty	4,652	4,378	800	1,079	920
Bank settlement charges	289	473	716	555	854
Exhibition costs	246	223	290	30	10
Telephone and communication fee	207	200	174	97	129
Sales commission	1,526	1,528	1,994	773	208
Tax fee	1,661	2,011	1,890	1,305	1,298
Others	32,298	42,267	45,937	9,152	6,990
Total cost of sales, selling and distribution cost and general and administrative expenses	228,972	330,982	307,372	147,857	148,186

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
Salaries, wages and welfare	29,241	37,012	40,984	32,140	32,950
Pension, housing fund, medical insurance and other social insurances	8,019	11,798	10,346	5,870	7,170
	37,260	48,810	51,330	38,010	40,120
Less: employee benefits capitalized	(192)	(241)	(79)	(79)	(73)
	37,068	48,569	51,251	37,931	40,047

During the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, (i) the directors of Pteris receive fee or other emoluments in respect of their services to the Pteris Group amounting to SGD298,000, SGD168,000, SGD347,000, SGD144,000 and SGD120,000; (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, 2014, 2015 and 2016 and nine months ended September 30, 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, 2014, 2015 and 2016 and nine months ended September 30, 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, 2014, 2015 and 2016 and nine months ended September 30, 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, 2014, 2015 and 2016 and nine months ended September 30, 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 during the Relevant Periods.

13 DIVIDENDS

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Final dividend paid in respect of the previous financial year profit of 1.00 cents per share	–	–	3,854	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,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Cost					
At beginning of the year/period	13,435	15,742	16,457	16,457	15,663
Additions	1,817	5,049	–	–	–
Transfer to investment properties	–	(4,395)	–	–	–
Currency translation differences	490	61	(794)	(1,150)	(311)
At end of the year/period	15,742	16,457	15,663	15,307	15,352
Accumulated amortisation					
At beginning of the year/period	1,081	1,411	1,176	1,176	1,305
Amortisation of land use rights	279	425	327	246	239
Transfer to investment properties	–	(666)	–	–	–
Currency translation differences	51	6	(198)	(226)	(26)
At end of the year/period	1,411	1,176	1,305	1,196	1,518
Net book value	14,331	15,281	14,358	14,111	13,834

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,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Cost of sales	179	141	183	134	131
General and administrative expenses	100	284	144	112	108
	279	425	327	246	239

15 PROPERTY, PLANT AND EQUIPMENT

The Pteris Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Cost						
As at January 1, 2014	3,348	3,867	888	3,798	20,456	32,357
Currency translation differences	66	182	45	41	430	764
Additions	–	1,022	46	579	12,106	13,753
Disposals and write-offs	–	(1,623)	(173)	(618)	–	(2,414)
Acquired from reverse acquisition *(Note 35(i))*	62,955	1,435	259	852	278	65,779
As at December 31, 2014	66,369	4,883	1,065	4,652	33,270	110,239
Accumulated depreciation and impairment losses						
As at January 1, 2014	2,219	2,260	410	2,462	–	7,351
Currency translation differences	6	6	27	44	–	83
Depreciation charge	999	532	148	303	–	1,982
Disposals and write-offs	–	(990)	(66)	(444)	–	(1,500)
Impairment loss	–	(172)	(1)	(58)	–	(231)
As at December 31, 2014	3,224	1,636	518	2,307	–	7,685
Net book value						
As at December 31, 2014	63,145	3,247	547	2,345	33,270	102,554

The Pteris Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*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

The Pteris Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
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
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
Unaudited:						
Cost						
As at January 1, 2016	83,923	15,670	911	8,764	6,040	115,308
Currency translation differences	(4,328)	(1,127)	(94)	(805)	(444)	(6,798)
Additions	1,366	611	82	924	12,193	15,176
Disposals and write-offs	–	(1,571)	(64)	(90)	–	(1,725)
Transfers out from construction in progress	16,002	–	–	829	(16,831)	–
As at September 30, 2016	96,963	13,583	835	9,622	958	121,961
Accumulated depreciation						
As at January 1, 2016	4,689	1,117	245	159	–	6,210
Currency translation differences	(274)	(144)	(41)	(181)	–	(640)
Depreciation charge	1,638	986	178	1,422	–	4,224
Disposals and write-offs	–	(1,561)	(54)	(72)	–	(1,687)
As at September 30, 2016	6,053	398	328	1,328	–	8,107
Net book value						
As at September 30, 2016	90,910	13,185	507	8,294	958	113,854

The Pteris Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Cost						
As at January 1, 2017	99,611	14,750	875	10,283	797	126,316
Currency translation differences	(1,680)	(416)	(34)	(330)	(21)	(2,481)
Additions	82	1,199	165	643	459	2,548
Disposals and write-offs	(263)	(92)	(68)	(67)	–	(490)
Transfer to investment properties	(2,032)	–	–	–	–	(2,032)
Acquired from acquisition *(Note 35(iii))*	–	–	33	6	–	39
As at September 30, 2017	95,718	15,441	971	10,535	1,235	123,900
Accumulated depreciation						
As at January 1, 2017	7,704	768	420	1,713	–	10,605
Currency translation differences	(102)	(59)	(17)	(77)	–	(255)
Depreciation charge	1,865	1,032	154	1,641	–	4,692
Disposals and write-offs	(155)	(38)	(68)	(66)	–	(327)
Transfer to investment properties	(605)	–	–	–	–	(605)
As at September 30, 2017	8,707	1,703	489	3,211	–	14,110
Net book value						
As at September 30, 2017	87,011	13,738	482	7,324	1,235	109,790

Pteris	Leasehold buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Cost						
As at January 1, 2014	17,712	4,205	706	6,266	264	29,153
Additions	5,200	–	–	37	–	5,237
Disposals and write-offs	–	–	(438)	(3,153)	(264)	(3,855)
As at December 31, 2014	22,912	4,205	268	3,150	–	30,535
Accumulated depreciation						
As at January 1, 2014	2,926	3,679	457	5,527	–	12,589
Depreciation charge	633	518	40	268	–	1,459
Disposals and write-offs	–	–	(229)	(3,153)	–	(3,382)
As at December 31, 2014	3,559	4,197	268	2,642	–	10,666
Net book value						
As at December 31, 2014	19,353	8	–	508	–	19,869

Pteris	Leasehold buildings *SGD'000*	Machinery and equipment *SGD'000*	Motor vehicles *SGD'000*	Office and other equipment *SGD'000*	Total *SGD'000*
Cost					
As at January 1, 2015	22,912	4,205	268	3,150	30,535
Additions	39	–	30	109	178
Disposals and write-offs	(1,580)	(51)	(269)	(2,160)	(4,060)
Transfer to investment properties	(12,737)	–	–	–	(12,737)
As at December 31, 2015	8,634	4,154	29	1,099	13,916
Accumulated depreciation					
As at January 1, 2015	3,559	4,197	268	2,642	10,666
Depreciation charge	796	2	1	184	983
Disposals and write-offs	–	(51)	(269)	(2,140)	(2,460)
Transfer to investment properties	(2,596)	–	–	–	(2,596)
As at December 31, 2015	1,759	4,148	–	686	6,593
Net book value					
As at December 31, 2015	6,875	6	29	413	7,323
Cost					
As at January 1, 2016	8,634	4,154	29	1,099	13,916
Additions	–	–	–	52	52
Disposals and write-offs	–	(1,555)	–	–	(1,555)
As at December 31, 2016	8,634	2,599	29	1,151	12,413
Accumulated depreciation					
As at January 1, 2016	1,759	4,148	–	686	6,593
Additions	323	3	6	156	488
Disposals and write-offs	–	(1,555)	–	–	(1,555)
As at December 31, 2016	2,082	2,596	6	842	5,526
Net book value					
As at December 31, 2016	6,552	3	23	309	6,887
Unaudited:					
Cost					
As at January 1, 2016	8,634	4,154	29	1,099	13,916
Additions	–	–	–	52	52
Disposals and write-offs	–	(1,555)	–	–	(1,555)
As at September 30, 2016	8,634	2,599	29	1,151	12,413

Pteris	Leasehold buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Accumulated depreciation					
As at January 1, 2016	1,759	4,148	–	686	6,593
Depreciation charge	242	1	4	125	372
Disposals and write-offs	–	(1,555)	–	–	(1,555)
As at September 30, 2016	2,001	2,594	4	811	5,410
Net book value					
As at September 30, 2016	6,633	5	25	340	7,003
Cost					
As at January 1, 2017	8,634	2,599	29	1,151	12,413
Additions	16	–	–	13	29
Transfer to investment properties	(593)	–	–	–	(593)
As at September 30, 2017	8,057	2,599	29	1,164	11,849
Accumulated depreciation					
As at January 1, 2017	2,082	2,596	6	842	5,526
Depreciation charge	242	1	5	92	340
Transfer to investment properties	(155)	–	–	–	(155)
As at September 30, 2017	2,169	2,597	11	934	5,711
Net book value					
As at September 30, 2017	5,888	2	18	230	6,138

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,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Cost of sales	186	640	2,846	2,370	2,465
Selling and distribution costs	15	12	36	18	31
General and administrative expenses	1,781	4,987	3,764	1,836	2,196
	1,982	5,639	6,646	4,224	4,692

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 SGD1,337,000 and SGD899,000 with a capitalisation rate of 5.15% and 5.4% respectively for the years ended December 31, 2014 and 2015.

There were no borrowing cost capitalised for the remaining Relevant Periods.

At December 31, 2014, 2015, 2016 and September 30, 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 SGD1,072,000, SGD38,856,000, SGD37,385,000 and SGD35,747,000.

16 INVESTMENT PROPERTIES

The Pteris Group	**Year ended December 31,**			**Nine months ended September 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
At fair value					
At beginning of the year/period	–	–	48,316	48,316	48,844
Currency translation differences	–	(97)	(561)	(873)	(267)
Net gains from fair value adjustment *(Note 8)*	–	–	1,005	728	210
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/period	–	48,316	48,844	48,171	50,337

Pteris	**Year ended December 31,**			**Nine months ended September 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
At fair value					
At beginning of the year/period	–	–	33,972	33,972	34,568
Net gains from fair value adjustment	–	–	596	–	–
Transfer from property, plant and equipment	–	10,141	–	–	438
Transfer from land use rights	–	–	–	–	–
Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights	–	23,831	–	–	1,128
At end of the year/period	–	33,972	34,568	33,972	36,134

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Rental income *(Note7)*	–	3,721	5,238	3,971	4,324
Direct operating expenses from property that generated rental income	–	634	586	255	45

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 September 30, 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 September 30, 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
September 30, 2017			
– Office building - Singapore	–	–	36,134
– Land use rights and factory building - China	–	–	14,203

(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

The Pteris Group	Goodwill	Software	Operating rights for automated parking system	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Cost				
As at January 1, 2014	387	654	1,560	2,601
Additions	–	43	494	537
Arising from reverse acquisition *(Note 35(i))*	23,261	–	–	23,261
Currency translation differences	14	24	57	95
As at December 31, 2014	23,662	721	2,111	26,494
Accumulated amortisation				
As at January 1, 2014	–	243	–	243
Amortisation	–	70	–	70
Currency translation differences	–	12	–	12
As at December 31, 2014	–	325	–	325
Net book value				
As at December 31, 2014	23,662	396	2,111	26,169
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.

The Pteris Group	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
Unaudited:				
Cost				
As at January 1, 2016	22,085	930	14,163	37,178
Additions	–	6	–	6
Cost adjustment	–	–	(1,527)	(1,527)
Currency translation differences	(24)	(3)	(844)	(871)
As at September 30, 2016	22,061	933	11,792	34,786
Accumulated amortisation				
As at January 1, 2016	–	420	923	1,343
Amortisation	–	67	640	707
Currency translation differences	–	(1)	(29)	(30)
As at September 30, 2016	–	486	1,534	2,020
Net book value				
As at September 30, 2016	22,061	447	10,258	32,766

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

The Pteris Group	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	–	81	–	9,975	1,506	11,562
Arising from acquisition *(Note 35(iii))*	2,786	–	–	1,405	–	4,191
Currency translation differences	(49)	(18)	(196)	7	1	(255)
As at September 30, 2017	24,807	989	11,848	11,387	1,507	50,538
Accumulated amortisation						
As at January 1, 2017	–	487	1,593	–	–	2,080
Amortisation	–	67	517	818	–	1,402
Currency translation differences	–	(11)	(31)	2	–	(40)
As at September 30, 2017	–	543	2,079	820	–	3,442
Net book value						
As at September 30, 2017	24,807	446	9,769	10,567	1,507	47,096

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
Cost of sales	–	935	708	640	1,317
General and administrative expenses	70	80	84	67	85
	70	1,015	792	707	1,402

(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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Logistic System Business of Pteris Global Limited ("LSB-PGL")	23,261	21,681	21,681	21,681
Ground Support Equipment ("GSE")	401	404	389	340
Logistic System Business of Jinte ("LSB-Jinte")	–	–	–	2,786
	23,662	22,085	22,070	24,807

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,			As at September 30,
	2014	**2015**	**2016**	**2017**
LSB-PGL				
Budgeted revenue growth	14%	11.4%-14%	21%	19%
Gross profit margin	28%-29%	25%-32%	23%-27%	22%-27%
Terminal value growth rate	3%	3%	3%	2.4%
Discount rate	13%	13%	13%	13.3%
GSE				
Budgeted revenue growth	14%	14%	14%	14%
Terminal value growth rate	3%	3%	3%	3%
Discount rate	13%	13%	13%	13%

	As at September 30, 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

September 30, 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 and December 31, 2014

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, 2014, 2015 and 2016 and nine months period ended September 30, 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 nine months period ended September 30, 2017.

(b) Operating rights for automated parking system

In 2014 and 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Unquoted equity investment, at cost	199,464	143,658	147,594	151,705
Impairment losses	(6,979)	(3,659)	(3,659)	(3,659)
	192,485	139,999	143,935	148,046
Loans to subsidiaries, at cost	11,761	5,606	5,520	6,016
Impairment of loan receivables	(3,175)	–	–	–
	201,071	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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
At beginning of the year/period	6,938	6,979	3,659	3,659
Written off against provisions	–	(3,320)	–	–
Impairment losses	41	–	–	–
At end of the year/period	6,979	3,659	3,659	3,659

The principal subsidiaries of the Pteris Group as at December 31, 2014, 2015 and 2016 and September 30, 2017 are disclosed below.

During the Relevant Periods, 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 December 31, 2014	December 31, 2015	December 31, 2016	September 30, 2017
Inter-Roller Investments Pte. Ltd.	Singapore, 29 June 1982	Investment holding	SGD1,000,002	(a)	100%	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%	100%
Pteris Global (Singapore) Pte. Ltd. (formerly known as Pteris Pte. Ltd.)	Singapore, 22 January 1993	Investment holding	SGD300,000	(a)	100%	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%	100%
Pteris Global Sdn. Bhd.	Malaysia, 8 November 1995	Manufacture of airport logistics system and equipment	MYR8,000,000	(c)	100%	100%	100%	100%
IR (Middle East) LLC	United Arab Emirates, 24 August 2004	Engineering works	AED300,000	(h)	100%	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%	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%	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%	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%	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%	100%
Pteris Global (Canada) Inc.	Canada, 11 August 2008	Supply and maintenance of airport logistics systems and equipment	CAD100	(h)	100%	100%	100%	100%
CDG System Ltd.	United Kingdom, 10 February 2003	Design and supply of air cargo system	GBP400,000	(h)	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)	100%	70%	70%	70%
Xinfa Airport Equipment Ltd.	People's Republic of China, 3 December 1997	Manufacture and sale of ground support equipment	RMB25,000,000	(l)	70%	49%*	49%*	49%*

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 December 31, 2014	December 31, 2015	December 31, 2016	September 30, 2017
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)	100%	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)	100%	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)	100%	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)	100%	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)	60%	42%*	42%*	42%*
Techman (Hong Kong) Limited	Hong Kong, 22 February 2008	Investment holding	HKD450,748,992	(h)	100%	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%

* 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, 2014, 2015 and 2016.

(b) The statutory financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP Shenzhen Branch and PricewaterhouseCoopers Audit, SA for the years ended December 31, 2014, 2015 and 2016.

(c) The statutory financial statements were audited by TY Teoh International, Malaysia for the years ended December 31, 2014, 2015 and 2016.

(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, 2014, 2015 and 2016.

(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, 2014, 2015 and 2016.

(f) The statutory financial statements were audited by Mahendra Tiwan & Co., Ltd., India for the years ended December 31, 2014, 2015 and 2016.

(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, 2014, 2015 and 2016.

(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 PricewaterhouseCoopers Zhong Tian LLP Shenzhen for the year ended December 31, 2014. 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.

(a) Material non-controlling interests

Set out below are the summarised financial information for TianDa and its subsidiaries ("TianDa Group"), as at December 31 2014, 2015 and 2016 and September 30, 2017 and for the years/period 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.

Summarised statement of financial position	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Current				
Assets	234,190	220,310	279,330	316,721
Liabilities	(186,353)	(209,424)	(227,435)	(271,170)
Total current net assets	47,837	10,886	51,895	45,551
Non-current				
Assets	56,430	132,426	137,074	146,628
Liabilities	(8,245)	(13,075)	(36,702)	(40,035)
Total non-current net assets	48,185	119,351	100,372	106,593
Net assets	96,022	130,237	152,267	152,144

Summarised statement of profit or loss	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Revenue	202,362	247,734	236,927	80,882	83,613
Profit/(loss) before income tax	21,134	24,463	30,881	1,786	(2,919)
Income tax (expense)/credit	(3,045)	(3,159)	(3,693)	340	613
Profit/(loss) after tax	18,089	21,304	27,188	2,126	(2,306)
Other comprehensive income	–	5,708	–	–	–
Total comprehensive income/(loss)	18,089	27,012	27,188	2,126	(2,306)
Total comprehensive income allocated to non-controlling Interests	324	198	335	228	70

Summarised statement of cash flows	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
Cash flows from operating activities					
Cash generated from operations	19,745	44,240	40,285	29,192	18,872
Income tax paid	(3,061)	(4,581)	(3,785)	(2,945)	(4,147)
Net cash generated from operating activities	16,684	39,659	36,500	26,247	14,725
Net cash used in investing activities	(11,605)	(50,752)	(14,577)	(13,570)	(12,106)
Net cash generated from/(used in) financing activities	18,854	(6,793)	(11,781)	(12,127)	8,237
Net increase/(decrease) in cash and cash equivalents	23,933	(17,886)	10,142	550	10,856

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Pteris Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Assets as per statements of financial position				
Loans and receivables:				
– Trade and other receivables excluding prepayments	171,212	187,084	205,797	158,384
– Pledged bank deposits	2,206	2,212	108	111
– Cash and cash equivalents	48,949	31,425	54,822	63,630
Fair value through the profit or loss:				
– Other financial assets	118	106	110	237
Total	222,485	220,827	260,837	222,362
Liabilities as per statements of financial position				
Financial liabilities at amortized cost:				
– Borrowings	91,914	21,281	22,145	30,575
– Trade and other payables excluding non-financial liabilities	124,275	149,771	171,416	146,831
Fair value through the profit or loss:				
– Other financial liabilities	–	442	1	–
Total	216,189	171,494	193,562	177,406

Pteris	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Assets as per statements of financial position				
Loans and receivables:				
– Trade and other receivables excluding prepayments	47,631	59,338	58,588	50,297
– Pledged bank deposits	2,200	2,122	–	–
– Cash and cash equivalents	5,321	6,355	12,720	8,716
Total	55,152	67,815	71,308	59,013
Liabilities as per statements of financial position				
Financial liabilities at amortized cost:				
– Borrowings	52,139	8,512	8,129	10,165
– Trade and other payables excluding non-financial liabilities	29,173	18,728	20,376	11,545
Total	81,312	27,240	28,505	21,710

20 OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Quoted equity securities designated at fair value through profit or loss	78	106	110	215
Derivative financial assets	40	–	–	22
	118	106	110	237
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 each Relevant Periods are SGD10,800,000, SGD16,639,000, SGD1,695,000 and SGD12,721,000.

21 INVENTORIES

The Pteris Group	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Raw materials	7,466	10,590	12,473	20,656
Work in progress	49,715	35,636	46,033	105,356
Finished goods	1,970	903	614	959
Spare parts	67	2,687	2,989	2,629
	59,218	49,816	62,109	129,600
Less: provision for impairment	(464)	(2,045)	(2,210)	(796)
	58,754	47,771	59,899	128,804

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately SGD113,270,000, SGD160,089,000, SGD134,436,000 and SGD59,850,000 for the years/period ended December 31, 2014, 2015 and 2016, September 30 2017, respectively.

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

	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2016	Nine months ended September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
At beginning of the year/period	448	464	2,045	2,210
Provision for/(write-back) of inventories	–	1,549	1,077	(1,409)
Allowance utilised	–	–	(892)	–
Currency translation differences	16	32	(20)	(5)
At end of the year/period	464	2,045	2,210	796

22 TRADE AND OTHER RECEIVABLES

The Pteris Group

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables due from third parties	159,319	175,269	198,770	142,600
Trade receivables due from related parties *(Note 36)*	2,170	5,917	1,096	1,409
Bills receivables	1,339	1,084	3,382	308
Retention on construction contracts *(Note 23)*	9,785	6,031	4,156	5,112
Total trade receivables	172,613	188,301	207,404	149,429
Less: provision for impairment of trade receivables	(9,703)	(11,422)	(11,470)	(10,688)
Total trade receivables – net	162,910	176,879	195,934	138,741
Amounts due from related parties *(Note 36)*	175	50	225	2,425
Other receivables	5,278	6,077	3,442	11,522
Less: provision for impairment of other receivables	(487)	(487)	(486)	(486)
Total other receivables – net	4,791	5,590	2,956	11,036
Deposits	2,318	4,031	5,967	3,922
Prepayments	17,802	10,939	18,482	36,619
Advances to staff	1,018	534	715	2,260
Total prepayments and other receivables	26,104	21,144	28,345	56,262
	189,014	198,023	224,279	195,003

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

As at December 31, 2014, 2015 and 2016 and September 30, 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, 2014, 2015 and 2016 and September 30, 2017, was as follows:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables – gross				
– Within 90 days	128,190	69,370	124,691	110,187
– 91 to 180 days	12,746	30,119	16,236	18,406
– 181 to 360 days	14,956	64,076	45,476	6,613
– Over 360 days	16,721	24,736	21,001	14,223
	172,613	188,301	207,404	149,429

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, 2014, 2015 and 2016 and September 30, 2017.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of SGD115,958,000, SGD57,628,000, SGD117,694,000 and SGD95,342,000, respectively, were fully performing.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of SGD32,601,000, SGD101,525,000, SGD45,116,000 and SGD26,250,000, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables – gross				
– Within 90 days	2,332	4,939	2,343	1,991
– 91 to 180 days	10,133	27,139	6,194	10,254
– 181 to 360 days	8,656	56,240	27,595	4,765
– Over 360 days	11,480	13,207	8,984	9,240
	32,601	101,525	45,116	26,250

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of SGD24,054,000, SGD29,148,000, SGD44,594,000 and SGD27,837,000, respectively, were impaired. The amount of the provision was SGD9,703,000, SGD11,422,000, SGD11,470,000 and SGD10,688,000, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables – gross				
– Within 90 days	–	–	–	–
– 91 to 180 days	3,522	3,805	11,399	12,245
– 181 to 360 days	8,521	10,252	18,208	4,765
– Over 360 days	12,011	15,091	14,987	10,827
	24,054	29,148	44,594	27,837

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
At beginning of the year/period	6,039	9,703	11,422	11,422	11,470
Acquired from reverse acquisition *(Note 35(i))*	881	–	–	–	–
Acquisition of a subsidiary *(Note 35(iii))*	–	–	–	–	(7)
Provision for/(write-back) of receivables impairment	3,014	1,662	3,581	(1,434)	(33)
Allowance utilised	(104)	–	(3,081)	(1,356)	(554)
Currency translation differences	(127)	57	(452)	(557)	(188)
At end of the year/period	9,703	11,422	11,470	8,075	10,688

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the carrying amounts of trade and other receivables (excluding prepayments) are denominated in the following currencies:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	11,644	5,934	8,374	8,808
USD	37,406	29,467	28,759	44,996
RMB	109,336	126,518	136,652	76,940
EUR	8,956	15,220	25,386	9,976
Others	3,870	9,945	6,626	17,664
	171,212	187,084	205,797	158,384

Pteris

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables due from third parties	10,228	9,119	8,897	8,302
Trade receivables due from subsidiaries	27,348	33,504	32,306	30,956
Retention on construction contracts *(Note 23)*	5,376	649	465	436
Total trade receivables	42,952	43,272	41,668	39,694
Less: provision for impairment of trade receivables	(1,084)	(1,473)	(1,447)	(1,420)
Total trade receivables - net	41,868	41,799	40,221	38,274
Amounts due from subsidiaries	5,386	17,304	17,828	10,867
Other receivables	741	599	912	1,489
Less: provision for impairment of other receivables	(448)	(448)	(448)	(448)
Total other receivables - net	5,679	17,455	18,292	11,908
Deposits	84	84	75	115
Prepayments	318	182	234	262
Total prepayments and other receivables	6,081	17,721	18,601	12,285
	47,949	59,520	58,822	50,559

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the fair value of trade and other receivables of Pteris, 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 90 days. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at December 31, 2014, 2015 and 2016 and September 30, 2017, was as follows:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables – gross				
– Within 90 days	7,375	4,717	8,076	2,821
– 91 to 180 days	774	2,508	2,515	2,313
– 181 to 360 days	8,565	2,755	4,124	1,155
– Over 360 days	26,238	33,292	26,953	33,405
	42,952	43,272	41,668	39,694

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Pteris does not hold any collateral as security over these debtors.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of SGD29,251,000, SGD33,901,000, SGD34,788,000 and SGD31,784,000, respectively, were fully performing.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of SGD9,879,000, SGD5,334,000, SGD5,433,000 and SGD6,490,000, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables – gross				
– Within 90 days	143	1,178	256	1,991
– 91 to 180 days	398	2,135	240	2,313
– 181 to 360 days	573	429	1,773	1,155
– Over 360 days	8,765	1,592	3,164	1,031
	9,879	5,334	5,433	6,490

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of SGD3,822,000, SGD4,037,000, SGD1,447,000 and SGD1,420,000, respectively, were impaired. The amount of the provision was SGD1,084,000, SGD1,473,000, SGD1,447,000 and SGD1,420,000, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables – gross				
– Within 90 days	–	–	–	–
– 91 to 180 days	–	–	–	–
– 181 to 360 days	2,335	437	–	–
– Over 360 days	1,487	3,600	1,447	1,420
	3,822	4,037	1,447	1,420

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
At beginning of the year/period	777	1,084	1,473	1,473	1,447
Provision for receivables impairment	307	389	–	–	–
Allowance utilised	–	–	(26)	(26)	(27)
At end of the year/period	1,084	1,473	1,447	1,447	1,420

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the carrying amounts of trade and other receivables (excluding prepayments) are denominated in the following currencies:

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	14,596	10,114	12,829	10,741
USD	24,038	41,700	35,503	34,879
RMB	970	933	6	601
EUR	15	52	2,377	–
Others	8,012	6,539	7,873	4,076
	47,631	59,338	58,588	50,297

23 AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

The Pteris Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Aggregate costs incurred and profits recognised to date on uncompleted construction contracts	345,186	298,395	229,590	271,389
Less: Allowance for foreseeable losses	(2,448)	(1,849)	(1,807)	(1,298)
Less: Progress billings	(323,711)	(284,785)	(204,932)	(255,681)
	19,027	11,761	22,851	14,410
Presented as:				
Amounts due from contract customers	24,510	17,363	29,891	23,961
Amounts due to contract customers	(5,483)	(5,602)	(7,040)	(9,551)
	19,027	11,761	22,851	14,410
Retention on construction contracts included in trade receivables *(Note 22)*	9,785	6,031	4,156	5,112

Pteris	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Aggregate costs incurred and profits recognised to date on uncompleted construction contracts	201,536	88,477	84,038	129,343
Less: Allowance for foreseeable losses	(2,271)	(1,475)	(985)	(1,026)
Less: Progress billings	(191,251)	(82,916)	(80,050)	(127,128)
	8,014	4,086	3,003	1,189
Presented as:				
Amounts due from contract customers	10,944	5,155	5,836	4,620
Amounts due to contract customers	(2,930)	(1,069)	(2,833)	(3,431)
	8,014	4,086	3,003	1,189
Retention on construction contracts included in trade receivables *(Note 22)*	5,376	649	465	436

24 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

The Pteris Group

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Cash at bank and on hand	23,576	19,200	34,150	38,552
Cash at CIMC Finance Company	25,051	12,131	20,690	25,099
Short-term bank deposits	2,528	2,306	90	90
	51,155	33,637	54,930	63,741
Less: Pledged bank deposits	(2,206)	(2,212)	(108)	(111)
Cash and cash equivalents	48,949	31,425	54,822	63,630

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,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	5,650	4,834	6,988	5,654
USD	10,604	9,944	9,531	14,939
RMB	28,899	15,399	25,320	24,624
EUR	2,825	1,061	1,594	5,357
Others	3,177	2,399	11,497	13,167
	51,155	33,637	54,930	63,741

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	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Cash at bank and on hand	5,315	6,355	12,720	8,716
Short-term bank deposits	2,206	2,212	–	–
	7,521	8,567	12,720	8,716
Less: Pledged bank deposits	(2,200)	(2,212)	–	–
Cash and cash equivalents	5,321	6,355	12,720	8,716

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

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	5,051	4,265	5,122	3,674
USD	313	2,762	5,133	2,482
EUR	–	2	2	2
Others	2,157	1,538	2,463	2,558
	7,521	8,567	12,720	8,716

Bank balances carry interest ranging from 0% to 0.5% per annum.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the Pteris Group's bank balances of approximately SGD37,570,000, SGD18,583,000, SGD30,617,000 and SGD30,590,000, respectively were deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

25 ASSETS HELD FOR SALE

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Deferred tax assets:				
– to be recovered after more than 12 months	4,269	5,186	5,477	6,348
– to be recovered within 12 months	–	–	–	–
	4,269	5,186	5,477	6,348
Deferred tax liabilities:				
– to be recovered after more than 12 months	249	1,211	1,437	1,700
– to be recovered within 12 months	–	–	–	–
	249	1,211	1,437	1,700

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
At beginning of the year/period	2,626	4,020	3,975	3,975	4,040
Currency translation differences	169	40	(123)	(649)	(71)
Acquisition of subsidiary	(255)	245	–	–	11
Tax credit to profit or loss	1,480	677	188	578	668
Tax charge to other comprehensive income	–	(1,007)	–	–	–
At end of the year/period	4,020	3,975	4,040	3,904	4,648

As at December 31, 2014, 2015 and 2016 and September 30, 2017, deferred income tax liabilities of SGD7,829,000, SGD9,996,000, SGD13,312,000 and SGD11,835,000 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 SGD78,291,000, SGD99,964,000, SGD130,641,000 and SGD123,101,000 as at December 31, 2014, 2015 and 2016 and September 30, 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 SGD55,873,000, SGD60,499,000, SGD65,961,000 and SGD68,937,000 as at December 31, 2014, 2015 and 2016 and September 30, 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, 2014	–	–	–	–	–
Acquisition of subsidiary *(Note 35(i))*	510	–	–	(255)	255
Currency translation differences	(9)	–	–	3	(6)
At December 31, 2014	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)	31	(3)	129	156
Acquisition of subsidiary *(Note 35(iii))*	3	–	120	19	142
Currency translation differences	–	(20)	–	(15)	(35)
At September 30, 2017	1,509	34	117	40	1,700

Deferred tax assets	**Impairment losses**	**Provisions**	**Allowances for doubtful debts**	**Derivatives**	**Tax losses**	**Employee benefits payables**	**Accrued expenses**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
As at January 1, 2014	150	1,122	912	(95)	175	362	–	2,626
Credited/(charged) to profit or loss	(44)	544	323	88	(58)	627	–	1,480
Currency translation differences	3	65	48	1	4	42	–	163
At December 31, 2014	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	(100)	18	(575)	–	1,534	(211)	158	824
Currency translation differences	(5)	(31)	(39)	–	(7)	(12)	(12)	(106)
At September 30, 2017	–	2,029	1,331	–	2,117	650	221	6,348

27 SHARE CAPITAL

The Pteris Group	At December 31, 2014		At December 31, 2015		At December 31, 2016		At September 30, 2017	
	Number of shares '000	*SGD'000*	*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/period	–	21,504	322,947	97,819	322,947	97,819	385,366	104,781
Share consolidation *(Note a)*	109,698	–	–	–	–	–	–	–
Issuance of shares pursuant to reverse acquisition *(Note 35(i), Note b, c)*	210,617	41,498	–	–	–	–	–	–
Deferred shares *(Note 35(i), Note f)*	–	34,786	–	–	62,419	6,962	–	–
Issuance of shares as part payment of professional fees *(Note d)*	786	550	–	–	–	–	–	–
Issuance of Advanced Monies shares *(Note e)*	1,846	1,200	–	–	–	–	–	–
Share issuance expenses	–	(1,719)	–	–	–	–	–	–
At end of the year/period	322,947	97,819	322,947	97,819	385,366	104,781	385,366	104,781

Pteris	At December 31, 2014		At December 31, 2015		At December 31, 2016		At September 30, 2017	
	Number of shares '000	*SGD'000*	*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/period	548,488	65,161	322,947	247,410	322,947	247,410	385,366	254,372
Share consolidation *(Note a)*	(438,790)	–	–	–	–	–	–	–
Issuance of shares pursuant to reverse acquisition *(Note 35(i), Note b, c)*	210,617	147,432	–	–	–	–	–	–
Deferred shares *(Note 35(i), Note f)*	–	34,786	–	–	62,419	6,962	–	–
Issuance of shares as part payment of professional fees *(Note d)*	786	550	–	–	–	–	–	–
Issuance of Advanced Monies shares *(Note e)*	1,846	1,200	–	–	–	–	–	–
Share issuance expenses	–	(1,719)	–	–	–	–	–	–
At end of the year/period	322,947	247,410	322,947	247,410	385,366	254,372	385,366	254,372

Notes:

(a) The shares in Pteris were consolidated on 19 August 2014 on the basis of 1 Consolidated Share for every 5 shares held by the shareholders.

(b) This represents the fair value of consideration transferred in relation to the 2014 Acquisition (Note 35(i)) at completion date of 2014 Acquisition (Note 35(i)). The purchase consideration of 2014 Acquisition is determined using the fair value of the issued equity of Pteris before the 2014 Acquisition, being 109,698,000 Consolidated Shares at SGD0.70 per share which represents the fair value of Pteris being quoted and traded price of the shares at 19 August 2014, i.e. the close of trading, before the 2014 Acquisition.

(c) This represents the purchase consideration of Pteris's 2014 Acquisition of the TianDa Group which was satisfied by the allotment and issuance of 210,617,000 ordinary shares at SGD0.70 per share which represents the quoted and traded price of the shares prior to the completion of the 2014 Acquisition.

(d) This represents the partial payment of the professional fees paid to Canaccord Genuity Singapore Pte. Ltd., in respect of the financial advisory services rendered to Pteris in connection to the 2014 Acquisition. The fair value of the services provided amounted to SGD550,000.

(e) Advanced Monies relates to a cash advance given by CIMC-HK to Pteris (on an interest free basis) to pay, inter-alia professionals and other advisers in relation to the 2014 Acquisition. On the completion date of the 2014 Acquisition, the advance was settled via the issuance of 1,846,000 numbers of ordinary shares at SGD0.65 per share.

(f) 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

The Pteris Group

	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, 2014	1,945	–	–	(2,671)	(726)	57,965	57,239
Profit for the year	–	–	–	–	–	13,019	13,019
Currency translation differences	–	–	–	3,298	3,298	–	3,298
At December 31, 2014	1,945	–	–	627	2,572	70,984	73,556
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
Unaudited:							
At January 1, 2016	1,945	22,063	4,946	35	28,989	84,761	113,750
Loss for the period	–	–	–	–	–	(8,536)	(8,536)
Currency translation differences	–	–	–	(6,215)	(6,215)	–	(6,215)
Dividends declared	–	–	–	–	–	(3,854)	(3,854)
At September 30, 2016	1,945	22,063	4,946	(6,180)	22,774	72,371	95,145
At January 1, 2017	1,945	22,063	4,946	(5,007)	23,947	95,808	119,755
Loss for the period	–	–	–	–	–	(901)	(901)
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	–	–	–	(1,334)	(1,334)	–	(1,334)
At September 30, 2017	1,945	23,055	5,069	(6,341)	23,728	94,907	118,635

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.

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	Other reserves				
	Share option reserve	**Assets revaluation reserve**	**Sub-total**	**Retained earnings**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At January 1, 2014	216	–	216	(30,861)	(30,645)
Loss for the year	–	–	–	(18,353)	(18,353)
Share options forfeited/lapsed	(216)	–	(216)	216	–
Unclaimed dividends	–	–	–	3	3
At December 31, 2014	–	–	–	(48,995)	(48,995)
At January 1, 2015					
Profit for the year	–	–	–	4,555	4,555
Fair value uplift, net of tax arising from investment properties transferred from property, plant and equipment and land use rights	–	23,831	23,831	–	23,831
At December 31, 2015	–	23,831	23,831	(44,440)	(20,609)
At January 1, 2016					
Profit for the year	–	–	–	3,364	3,364
Dividends declared	–	–	–	(3,854)	(3,854)
At December 31, 2016	–	23,831	23,831	(44,930)	(21,099)
At January 1, 2017					
Loss for the period	–	–	–	(2,258)	(2,258)
Fair value uplift, net of tax arising from investment properties transferred from property, plant and equipment	–	1,128	1,128	–	1,128
At September 30, 2017	–	24,959	24,959	(47,188)	(22,229)

29 TRADE AND OTHER PAYABLES

The Pteris Group

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Current				
– Trade payables to third parties	62,201	59,962	82,179	69,537
– Trade payables to related parties *(Note 36)*	332	2,555	961	934
Total trade payables	62,533	62,517	83,140	70,471
– Amounts due to related parties *(Note 36)*	4,368	14,244	154	227
– Dividends payable *(Note a)*	15,310	15,357	14,939	14,825
– Staff salaries, bonuses and welfare payables	10,604	9,991	8,457	4,612
– Advances received	36,773	39,384	66,921	136,004
– Accruals and other payables	42,064	57,383	59,251	47,632
	171,652	198,876	232,862	273,771
Non-current				
– Advances	–	2,469	2,631	2,775
– Other payables	–	270	284	300
– Amounts due to ultimate holding company *(Note 36)*	–	–	13,648	13,376
	–	2,739	16,563	16,451

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

As at December 31, 2014, 2015 and 2016 and September 30, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
0 - 60 days	20,562	23,660	26,957	8,052
61 - 120 days	18,294	16,019	24,057	26,182
121 - 240 days	12,970	12,920	18,012	30,162
Over 240 days	10,707	9,918	14,114	6,075
	62,533	62,517	83,140	70,471

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

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	16,163	7,796	9,911	7,405
USD	24,702	20,100	10,747	11,605
RMB	126,165	171,337	186,002	226,316
EUR	2,010	166	10,010	20,368
Others	2,612	2,216	32,755	24,528
	171,652	201,615	249,425	290,222

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	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade payables to third parties	2,302	823	609	476
Trade payables to subsidiaries and related parties	8,398	9,420	10,554	4,073
Total trade payables	10,700	10,243	11,163	4,549
Amounts due to subsidiaries	6,471	2,214	1,782	2,628
Staff salaries, bonuses and welfare payables	2,268	2,349	914	701
Accruals and other payables	12,002	6,271	7,431	4,368
	31,441	21,077	21,290	12,246

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, all trade and other payables of Pteris 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
0 - 60 days	1,413	672	2,445	363
61 - 120 days	3,026	674	1,182	1,020
121 - 240 days	830	1,355	949	56
Over 240 days	5,431	7,542	6,587	3,110
	10,700	10,243	11,163	4,549

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

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	24,463	13,918	13,081	10,234
USD	4,345	5,447	6,421	1,577
RMB	430	–	–	–
EUR	75	91	69	98
Others	2,128	1,621	1,719	337
	31,441	21,077	21,290	12,246

30 BORROWINGS

The Pteris Group

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Non-current				
Bank borrowings, unsecured	–	1,277	9,849	9,653
Current				
Bank borrowings, unsecured	19,350	15,017	10,212	12,207
Loans from related parties, unsecured	20,425	4,987	2,084	8,169
Bank borrowings, secured *(Note a)*	52,139	–	–	546
	91,914	20,004	12,296	20,922
Total borrowings	91,914	21,281	22,145	30,575

(a) At 31 December 2014, the bank borrowings of the Pteris Group are secured by a debenture over assets and a mortgage against the leasehold buildings of Pteris in Singapore.

At 30 September 2017, the bank borrowings amounting to SGD546,000 were secured by certain trade receivables of a subsidiary of the Pteris.

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

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	%	%	%	%
Bank borrowings, unsecured	5.15%	3.27%	2.66%	4.16%
Loans from related parties, unsecured	6.10%	4.35%	5.23%	5.00%
Bank borrowings, secured	2.78%	N/A	N/A	1.50%

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.

(c) 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,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Within 1 year	91,914	20,004	12,296	20,922
Between 1 and 5 years	–	1,277	9,849	9,653
	91,914	21,281	22,145	30,575

(d) 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,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
6 months or less	72,564	8,512	8,129	12,781
6 – 12 months	19,350	11,492	4,167	8,141
1 – 5 years	–	1,277	9,849	9,653
Over 5 years	–	–	–	–
	91,914	21,281	22,145	30,575

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

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

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	52,139	–	–	–
USD	–	8,512	5,849	4,066
RMB	39,775	12,769	14,016	19,864
EUR	–	–	2,280	6,645
	91,914	21,281	22,145	30,575

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

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Floating rate:				
– Expiring within one year	105,350	71,825	97,947	17,496

Pteris

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Current				
Bank borrowings, unsecured	–	8,512	8,129	10,165
Bank borrowings, secured (*Note a*)	52,139	–	–	–
	52,139	8,512	8,129	10,165

(a) At 31 December 2014, the bank borrowings of Pteris are secured by a debenture over assets and a mortgage against the leasehold building of Pteris in Singapore.

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

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	%	*%*	*%*	*%*
Bank borrowings, unsecured	N/A	2.16%	1.8%	2.23%
Bank borrowings, secured	2.78%	N/A	N/A	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 Pteris to interest rate risk.

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

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Within 1 year	52,139	8,512	8,129	10,165
Between 1 and 2 years	–	–	–	–
Between 2 and 5 years	–	–	–	–
	52,139	8,512	8,129	10,165

(d) 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
6 months or less	52,139	8,512	8,129	4,066
6 – 12 months	–	–	–	6,099
1 – 5 years	–	–	–	–
Over 5 years	–	–	–	–
	52,139	8,512	8,129	10,165

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

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

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
SGD	52,139	–	–	–
USD	–	8,512	5,849	4,066
EUR	–	–	2,280	6,099
	52,139	8,512	8,129	10,165

(g) Pteris has the following undrawn borrowing facilities:

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Floating rate:				
– Expiring within one year	–	–	–	14,896

31 PROVISIONS

The Pteris Group

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Warranties *(Note a)*	13,836	16,340	14,854	14,740
Liquidated damages *(Note b)*	386	387	2,976	2,817
Others	646	537	532	–
	14,868	17,264	18,362	17,557

The Pteris Group

	Warranties	Liquidated damages	Others	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
As at January 1, 2014	7,025	–	875	7,900
Acquired from reverse acquisition *(Note 35(i))*	2,691	438	–	3,129
Currency translation differences	437	26	–	463
Provision made	6,235	360	532	7,127
Provision utilised	(969)	–	(761)	(1,730)
Provision reversed	(1,583)	(438)	–	(2,021)
At December 31, 2014	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	(139)	(159)	(35)	(333)
Provision made	2,007	–	–	2,007
Provision utilised	(895)	–	–	(895)
Provision reversed	(1,087)	–	(497)	(1,584)
At September 30, 2017	14,740	2,817	–	17,557

Pteris

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Warranties *(Note a)*	2,227	2,106	2,174	1,968
Liquidated damages *(Note b)*	278	278	278	278
	2,505	2,384	2,452	2,246

Pteris

	Warranties	Liquidated damages	Total
	SGD'000	*SGD'000*	*SGD'000*
As at January 1, 2014	2,240	1,505	3,745
Provision made	88	278	366
Provision utilised	(101)	(1,015)	(1,116)
Provision reversed	–	(490)	(490)
At December 31, 2014	2,227	278	2,505
Provision made	207	–	207
Provision utilised	(236)	–	(236)
Provision reversed	(92)	–	(92)
At December 31, 2015	2,106	278	2,384
Provision made	69	–	69
Provision utilised	(1)	–	(1)
Provision reversed	–	–	–
At December 31, 2016	2,174	278	2,452
Provision made	58	–	58
Provision utilised	–	–	–
Provision reversed	(264)	–	(264)
At September 30, 2017	1,968	278	2,246

(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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Government grants	8,764	9,488	10,848	15,113

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,			Nine Months Ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
Properties, plant and equipment					
Net book amount disposed	490	88	64	38	163
(Losses)/gains on disposal of property, plant and equipment *(Note 8)*	(488)	(30)	91	87	(62)
Proceeds from disposal	2	58	155	125	101
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	10	–
Gains on disposal of non-current assets *(Note 8)*	–	–	1,640	1,640	–
Proceeds from disposal	–	–	1,650	1,650	–

(b) Reconciliation of liabilities arising from financing activities

	At January 1, 2014	Acquisition of subsidiaries *(Note 35)*	Currency translation difference	Principal movement	Non-cash changes	At December 31,2014
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Borrowings	17,705	52,345	1,572	20,499	(207)	91,914

	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, 2016	Currency translation difference	Principal movement	Non-cash changes	At September 30,2016
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Borrowings and amounts due to related parties for financing purpose	43,876	(1,828)	(13,507)	(2)	28,539

	At January 1, 2017	Currency translation difference	Principal movement	Non-cash changes	At September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Borrowings and amounts due to related parties for financing purpose	29,702	(424)	8,677	27	37,982

Borrowings and amounts due to related parties for financing purpose includes the Pteris Group's borrowings amounting to SGD91,914,000, SGD21,281,000, SGD22,145,000 and SGD30,575,000 for the financial years ended December 31, 2014, 2015, 2016 and nine month period ended September 30, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Construction of new factory premises				
– Approved by directors and contracted for	21,682	23,949	7,293	–
– Approved by directors and not contracted for	82,930	29,996	33,753	14,467
	104,612	53,945	41,046	14,467

(b) Operating lease commitments – the Pteris Group and Pteris as lessee

The Pteris Group and Pteris 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:

The Pteris Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
No later than 1 year	2,229	1,855	880	2,223
Later than 1 year and no later than 5 years	2,851	2,039	1,465	5,042
Later than 5 years	16,404	13,378	10,937	10,179
	21,484	17,272	13,282	17,444

Pteris	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
No later than 1 year	877	732	673	912
Later than 1 year and no later than 5 years	1,512	1,180	1,242	2,490
Later than 5 years	13,710	10,835	10,808	9,081
	16,099	12,747	12,723	12,483

(c) Operating leases rental receivables - the Pteris Group and Pteris as lessor

The Pteris Group and Pteris 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:

The Pteris Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
No later than 1 year	2,936	4,796	4,728	4,102
Later than 1 year and no later than 5 years	6,685	10,817	7,500	8,332
Later than 5 years	–	9,166	7,123	6,111
	9,621	24,779	19,351	18,545

Pteris	As at December 31, 2014	2015	2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
No later than 1 year	2,936	3,043	3,043	1,712
Later than 1 year and no later than 5 years	6,685	3,804	761	238
Later than 5 years	–	–	–	–
	9,621	6,847	3,804	1,950

35 ACQUISITION

(i) 2014 Acquisition

In 2013, Pteris entered into conditional sale and purchase agreements with China International Marine Containers (Hong Kong) Ltd. ("CIMC-HK") and Shenzhen TGM Ltd. ("TGM") to acquire the entire issued share capital of TianDa by way of issuance of new ordinary shares in Pteris. The transaction ("the 2014 Acquisition") was completed on 19 August 2014.

In accordance with the agreements, Pteris issued 210,617,000 new ordinary shares to CIMC-HK and TGM on completion of the 2014 Acquisition. In addition, Pteris agreed to issue CIMC-HK and TGM additional new ordinary shares. The number of shares to be issued varies with the outcome of certain contingent events ("Contingent Consideration").

As the shareholder of TianDa have control over Pteris, the 2014 Acquisition has been accounted for as a reverse acquisition in accordance with HKFRS 3 Business Combination, and the legal subsidiaries (i.e. TianDa Group) were deemed to be the accounting acquirer and Pteris and its subsidiaries before the 2014 Acquisition (the Pteris Group) as the accounting acquiree for the accounting purposes.

The consolidation financial statements represents a continuation of the Historical Financial Information of the TianDa Group and reflects the following:

(a) The assets and liabilities of the TianDa Group were recognised and measured in the consolidated statement of financial position at their carrying amount before the 2014 Acquisition;

(b) The identifiable assets, liabilities and contingent liabilities of the Pteris Group were recognised and measured in the Historical Financial Information at their acquisition date fair values;

(c) The excess of fair value purchase consideration over the identifiable net assets of the Pteris Group at fair value is recognised as goodwill in the consolidated statement of financial position;

(d) The retained earnings and other equity balances recognised in the Historical Financial Information are the retained earnings and other equity balances of the TianDa Group immediately before the 2014 Acquisition;

(e) The amount recognised as issued equity interest in the Historical Financial Information were determined by adding the issued equity of TianDa outstanding immediately before the 2014 Acquisition. The fair value of the purchase consideration is based on the fair value of Pteris Group at the completion date. However, the equity structure appearing in the Historical Financial Information (i.e. the number and type of instrument issued) shall reflect the equity structure of Pteris, including the equity instruments issued by Pteris to effect the 2014 Acquisition;

(f) The consolidated statement of profit or loss, comprehensive income for the financial year ended 31 December 2014 reflects that of the TianDa Group for the full period together with the post-acquisition results of the Pteris Group; and

(g) The Pteris Group's statement of financial position at 1 January 2014 presented in the Historical Financial Information were that of the TianDa Group.

The effects of the 2014 Acquisition are disclosed below.

(a) Purchase consideration:

	August 2014 **At fair value** *SGD'000*
Fair value of purchase consideration transferred at completion date	41,498
Contingent Consideration *(Note (e))*	35,290
Total purchase consideration	76,788

(b) Identifiable assets acquired and liabilities assumed of the Pteris Group:

	August 2014 **At fair value** *SGD'000*
Cash and cash equivalents	20,491
Cash and deposit pledged	2,212
Trade and other receivables	29,505
Inventories	2,430
Property, plant and equipment	65,779
Other financial assets	145
Amounts due from contract customers	15,205
	135,767
Trade and other payables	(22,321)
Amounts due to contract customers	(4,190)
Borrowings	(52,345)
Provisions	(3,129)
Deferred income tax liabilities	(255)
	(82,240)
Total identifiable net assets	53,527
Add:	
Goodwill	23,261
Total purchase consideration	76,788

In April 2015, Pteris entered into an agreement with one of its supplier to reduce the payable amount by SGD1,580,000, which adjusted the goodwill amount from SGD23,261,000 to SGD21,681,000.

(c) Effect on cash flows of the Pteris Group

Cash and cash equivalents acquired (as above)	20,491

(d) Acquisition related cost

Acquisition related cost of SGD1,590,000 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

The 2014 Acquisition involves the contingent consideration.

The fair value of the Contingent Consideration as at the acquisition date was estimated to be SGD35,290,000. This is based on the estimated number of new ordinary shares to be issued and Pteris's share price at the acquisition date.

On 19 December 2014, Pteris agreed with CIMC-HK and TGM to fix the number of ordinary shares to be issued at 50,414,615 ("Deferred Shares") for the Contingent Consideration. The fair value of the Contingent Consideration approximates SGD34,786,000 based on Pteris share price on 19 December 2014. Pteris recorded a gain of SGD504,000 arising from the change in fair value of the Contingent Consideration between 19 August 2014 and 19 December 2014.

(f) The goodwill arising from the 2014 Acquisition is attributable to the synergies expected to be achieved from integrating Pteris's operations into the TianDa Group's existing business.

(g) Revenue and profit contribution

The acquired group contributed revenue of SGD38,846,000 and net loss of SGD4,746,000 to the Pteris Group for the period from 19 August 2014 to 31 December 2014.

Had the Pteris Group (the legal parent and its subsidiaries, prior to the reverse acquisition) been consolidated from 1 January 2014, consolidated revenue and consolidated profit for the financial year ended 31 December 2014 would have been SGD284,498,000 and SGD1,865,000 respectively.

(ii) 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.

(iii) 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 30 September 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 30 September 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 SGD367,000 and net loss of SGD342,000 to the Pteris Group for the period from 1 July 2017 to 30 September 2017.

Had Jinte been consolidated from 1 January 2017, consolidated revenue and consolidated loss for the financial period ended 30 September 2017 would have been SGD142,376,000 and SGD1,993,000 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, 2014, 2015 and 2016 and period ended September 30, 2017 and balances arising from related party transactions as at December 31, 2014, 2015 and 2016 and September 30, 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 Finance Company	Fellow subsidiary
Shenzhen Southern CIMC Containers Services Co., Ltd.	Fellow subsidiary
China International Marine Containers (Hong Kong) Co., Ltd.	Fellow subsidiary
CIMC Ziegler (Germany)	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
Beijing Bowei Airport support Co., Ltd.	A minority shareholder of a subsidiary
Shenzhen TGM 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,			Nine Months Ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (unaudited)	*SGD'000*
(i) Sales of goods and/or services to					
– Fellow subsidiaries	3,904	8,838	681	20	–
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	–	3,784	1,191	2,354
	3,904	8,838	4,465	1,211	2,354
(ii) Purchase of goods and/or services					
– Ultimate holding company	–	–	114	–	–
– Fellow subsidiaries	1,584	20,125	5,416	3,271	2,635
	1,584	20,125	5,530	3,271	2,635
(iii) Interest expense					
– Ultimate holding company	283	548	568	463	316
– Fellow subsidiaries	707	1,180	339	303	157
	990	1,728	907	766	473
(iv) Lease expense					
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	326	373	354	267	247
– Fellow subsidiaries	1,100	116	1	–	–
	1,426	489	355	267	247
(v) Interest income					
– Ultimate holding company	–	–	–	–	–
– Fellow subsidiaries	235	189	152	133	98
	235	189	152	133	98

	Year Ended December 31,			Nine Months Ended September 30,	
	2014	2015	2016	2016	2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(unaudited)	
(vi) Key management compensation					
– Salaries, wages and bonuses	1,366	1,639	1,388	728	527
– Pension, housing fund, medical insurance and other social insurances	14	81	77	65	90
	1,380	1,720	1,465	793	617
(vii) Borrowings from related parties					
– Proceeds from					
– Ultimate holding company	22,629	10,011	13,683	13,683	–
– Fellow subsidiaries	28,799	29,594	25,073	25,073	13,274
	51,428	39,605	38,756	38,756	13,274
– Repayment to					
– Ultimate holding company	(23,109)	–	(13,683)	(13,683)	–
– Fellow subsidiaries	(26,334)	(55,447)	(41,976)	(36,642)	(7,148)
	(49,443)	(55,447)	(55,659)	(50,325)	(7,148)
(viii) Salary expense recharged to related parties					
– A fellow subsidiary	–	–	–	–	443

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, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
(i) Trade and other receivables:				
– Fellow subsidiaries	2,345	5,967	1,321	2,889
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	–	–	945
	2,345	5,967	1,321	3,834

Amounts due to related parties:

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
(i) Trade and other payables:				
– Ultimate holding company	4,368	14,244	13,802	13,497
– Fellow subsidiaries	332	2,555	961	934
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	-	-	-	106
	4,700	16,799	14,763	14,537

37 Contingent Liabilities

During the Relevant Periods, there were no significant contingent liabilities assumed by the Pteris Group.

III SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by Pteris or any of its subsidiaries in respect of any period subsequent to 30 September 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Pteris or any of its subsidiaries in respect of any period subsequent to 30 September 2017.

The following is the text of a report set out on pages III(B)-1 to III(B)-3, received from TianDa'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 CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED

Introduction

We report on the historical financial information of Shenzhen CIMC-TianDa Airport Support Limited ("TianDa") and its subsidiaries (together, the "TianDa Group") set out on pages III(B)-4 to III(B)-93, which comprises TianDa's consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017, and the consolidated statements of profit or loss, 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 "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III(B)-4 to III(B)-93 forms an integral part of this report, which has been prepared for inclusion in the circular of China Fire Safety Enterprise Group Limited (the "Company") dated 15 March 2018 (the "Circular") in connection with the proposed acquisition of TianDa 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 Notes 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 TianDa Group for the Relevant Periods ("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 and management accounts of the TianDa Group for the Relevant Periods. The directors of TianDa are responsible for the preparation of the previously issued financial statements and management accounts of the TianDa Group in accordance with the relevant accounting principles generally accepted in their 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.

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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 Notes 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 TianDa as at 31 December 2014, 2015 and 2016 and 30 September 2017 and the consolidated financial position of the TianDa Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with the basis of preparation set out in Notes 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 TianDa Group which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended 30 September 2016 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 Notes 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 Notes 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
15 March 2018

SHENZHEN CIMC-TIANDA AIRPORT SUPPORT LIMITED

I HISTORICAL FINANCIAL INFORMATION OF THE TIANDA 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 financial statements of the TianDa Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

(a) Consolidated Statements of Profit or Loss

		Year ended December 31,			Nine months ended September 30,	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	983,725	1,125,928	1,134,165	385,410	409,728
Cost of sales	11	(725,530)	(870,696)	(824,842)	(266,188)	(308,826)
Gross profit		258,195	255,232	309,323	119,222	100,902
Other income	7	8,910	33,596	39,490	21,391	29,598
Selling and distribution expenses	11	(53,089)	(51,972)	(54,295)	(39,915)	(32,662)
General and administrative expenses	11	(109,213)	(117,712)	(146,181)	(92,757)	(111,930)
Other (losses)/gains – net	8	(573)	61	6,418	6,133	4,454
Operating profit/(loss)		104,230	119,205	154,755	14,074	(9,638)
Finance costs	9	(1,495)	(8,024)	(6,928)	(5,564)	(4,664)
Profit/(loss) before income tax		102,735	111,181	147,827	8,510	(14,302)
Income tax (expense)/credit	10	(14,800)	(14,357)	(17,681)	1,619	3,006
Profit/(loss) for the year/period		87,935	96,824	130,146	10,129	(11,296)
Profit/(loss) for the year/period attributable to:						
Equity holders of TianDa		86,358	95,925	128,541	9,044	(11,638)
Non-controlling interests		1,577	899	1,605	1,085	342
		87,935	96,824	130,146	10,129	(11,296)

(b) Consolidated Statements of Comprehensive Income

		Year ended December 31,			Nine months ended September 30,	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) for the year/period		87,935	96,824	130,146	10,129	(11,296)
Other comprehensive income:						
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		–	25,943	–	–	–
Other comprehensive income for the year/period, net of tax		–	25,943	–	–	–
Total comprehensive income for the year/period		87,935	122,767	130,146	10,129	(11,296)
Total comprehensive income for the year/period attributable to:						
– Equity holders of TianDa		86,358	121,868	128,541	9,044	(11,638)
– Non-controlling interests		1,577	899	1,605	1,085	342
		87,935	122,767	130,146	10,129	(11,296)

(c) Consolidated Statements of Financial Position

		As at December 31,			As at September 30,
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Land use rights	13	66,654	70,474	68,911	67,739
Property, plant and equipment	14	178,964	391,948	445,939	431,942
Investment properties	15	–	66,155	68,516	69,545
Intangible assets	16	13,521	65,325	54,181	124,493
Deferred income tax assets	24	19,855	16,834	20,324	24,274
		278,994	610,736	657,871	717,993
Current assets					
Inventories	21	259,804	182,182	228,376	544,971
Trade receivables	22	639,356	685,495	874,525	580,842
Prepayments and other receivables	22	104,590	74,365	113,088	248,660
Financial assets at fair value through profit or loss	19	187	–	–	105
Pledged bank deposits	23	–	1,075	1,040	544
Cash and cash equivalents	23	153,930	72,933	123,582	175,761
		1,157,867	1,016,050	1,340,611	1,550,883
Total assets		1,436,861	1,626,786	1,998,482	2,268,876
EQUITY					
Equity attributable to owners of TianDa					
Share capital	25	103,666	103,666	103,666	103,666
Reserves	26	362,257	484,125	612,666	605,897
		465,923	587,791	716,332	709,563
Non-controlling interests		8,817	12,851	14,456	35,442
Total equity		474,740	600,642	730,788	745,005

		As at December 31,			As at September 30,
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Trade and other payables	27	–	11,389	78,130	79,088
Borrowings	28	–	5,891	47,269	47,269
Deferred income	30	40,765	43,022	50,748	69,682
		40,765	60,302	176,147	196,039
Current liabilities					
Trade and other payables	27	661,057	833,760	993,579	1,221,196
Borrowings	28	185,000	53,000	20,000	50,000
Provisions	29	54,245	60,895	56,838	54,812
Current income tax liabilities		21,054	16,151	21,128	1,824
Financial liabilities at fair value through profit or loss	19	–	2,036	2	–
		921,356	965,842	1,091,547	1,327,832
Total liabilities		962,121	1,026,144	1,267,694	1,523,871
Total equity and liabilities		1,436,861	1,626,786	1,998,482	2,268,876

(d) Statements of Financial Position

		As at December 31,			As at September 30,
		2014	**2015**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Land use rights	13	58,218	39,682	38,746	38,045
Property, plant and equipment	14	174,864	271,738	273,756	263,708
Investment properties	15	–	66,155	68,516	69,545
Intangible assets	16	11,254	63,064	51,933	56,892
Deferred income tax assets		18,218	14,970	16,146	13,772
Investments in subsidiaries	17	109,691	158,191	183,192	227,072
		372,245	613,800	632,289	669,034
Current assets					
Inventories	21	233,369	156,350	209,437	463,805
Trade receivables	22	606,890	626,379	812,301	513,840
Prepayments and other receivables	22	111,450	72,731	81,563	160,984
Financial assets at fair value through profit or loss	19	187	–	–	105
Pledged bank deposits	23	–	1,075	517	518
Cash and cash equivalents	23	44,219	14,139	48,981	98,650
		996,115	870,674	1,152,799	1,237,902
Total assets		1,368,360	1,484,474	1,785,088	1,906,936
EQUITY					
Equity attributable to owners of TianDa					
Share capital	25	103,666	103,666	103,666	103,666
Reserves	26	367,128	487,794	611,402	628,083
Total equity		470,794	591,460	715,068	731,749

		As at December 31,			As at September 30,
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Trade and other payables	27	–	11,389	12,630	10,978
Borrowings	28	–	5,891	47,269	47,269
Deferred income	30	40,765	43,022	50,748	53,282
		40,765	60,302	110,647	111,529
Current liabilities					
Trade and other payables	27	603,486	707,322	873,820	970,061
Borrowings	28	185,000	53,000	20,000	50,000
Provisions	29	48,214	54,348	45,186	41,961
Current income tax liabilities		20,101	16,006	20,365	1,636
Financial liabilities at fair value through profit or loss	19	–	2,036	2	–
		856,801	832,712	959,373	1,063,658
Total liabilities		897,566	893,014	1,070,020	1,175,187
Total equity and liabilities		1,368,360	1,484,474	1,785,088	1,906,936

(e) Consolidated Statements of Changes in Equity

		Attributable to owners of TianDa						
		Share capital	Surplus reserves	Capital reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2014		103,666	9,378	(14,692)	281,213	379,565	9,327	388,892
Comprehensive income								
– Profit for the year		–	–	–	86,358	86,358	1,577	87,935
Total comprehensive income		–	–	–	86,358	86,358	1,577	87,935
Transaction with owners								
– Dividends to non-controlling interests		–	–	–	–	–	(2,087)	(2,087)
Total transactions with owners, recognised directly in equity		–	–	–	–	–	(2,087)	(2,087)
Balance at December 31, 2014		103,666	9,378	(14,692)	367,571	465,923	8,817	474,740

		Attributable to owners of TianDa							
	Note	Share capital RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at January 1, 2015		103,666	–	9,378	(14,692)	367,571	465,923	8,817	474,740
Comprehensive income									
– Profit for the year		–	–	–	–	95,925	95,925	899	96,824
Other comprehensive income									
– Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights		–	25,943	–	–	–	25,943	–	25,943
Total comprehensive income for the year		–	25,943	–	–	95,925	121,868	899	122,767
Transaction with owners									
– Capital injection from non-controlling interests		–	–	–	–	–	–	4,500	4,500
– Dividends to non-controlling interests		–	–	–	–	–	–	(1,365)	(1,365)
Total transactions with owners, recognised directly in equity		–	–	–	–	–	–	3,135	3,135
Balance at December 31, 2015		103,666	25,943	9,378	(14,692)	463,496	587,791	12,851	600,642

	Note	Share capital RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of TianDa							
Balance as at January 1, 2016		103,666	25,943	9,378	(14,692)	463,496	587,791	12,851	600,642
Comprehensive income									
– Profit for the year		–	–	–	–	128,541	128,541	1,605	130,146
Total comprehensive income for the year		–	–	–	–	128,541	128,541	1,605	130,146
Balance at December 31, 2016		103,666	25,943	9,378	(14,692)	592,037	716,332	14,456	730,788

	Note	Share capital RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of TianDa							
Unaudited:									
Balance as at January 1, 2016		103,666	25,943	9,378	(14,692)	463,496	587,791	12,851	600,642
Comprehensive income									
– Loss for the period		–	–	–	–	9,044	9,044	1,085	10,129
Total comprehensive income for the period		–	–	–	–	9,044	9,044	1,085	10,129
Balance at September 30, 2016		103,666	25,943	9,378	(14,692)	472,540	596,835	13,936	610,771

		Attributable to owners of TianDa								
	Note	Share capital RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at January 1, 2017		103,666	25,943	9,378	(14,692)	–	592,037	716,332	14,456	730,788
Comprehensive income										
– Loss for the period		–	–	–	–	–	(11,638)	(11,638)	342	(11,296)
Total comprehensive income for the period		–	–	–	–	–	(11,638)	(11,638)	342	(11,296)
Transaction with owners										
– Disposal of a subsidiary without loss of control	26(b)	–	–	–	–	4,869	–	4,869	7,131	12,000
– Capital injection from non-controlling interests		–	–	–	–	–	–	–	15,000	15,000
– Dividends to non-controlling interests		–	–	–	–	–	–	–	(1,487)	(1,487)
Total transactions with owners, recognised directly in equity		–	–	–	–	4,869	–	4,869	20,644	25,513
Balance at September 30, 2017		103,666	25,943	9,378	(14,692)	4,869	580,399	709,563	35,442	745,005

(f) Consolidated Statements of Cash Flows

		Year ended December 31,			Nine months ended September 30,	
		2014	**2015**	**2016**	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flow from operating activities						
Profit/(loss) before income tax		102,735	111,181	147,827	8,510	(14,302)
Adjustments for:						
Depreciation and amortisation		4,735	15,569	29,174	21,565	27,725
Loss/(gain) on disposal of property, plant and equipment		1,557	157	(332)	(324)	2
Interest income		(2,518)	(1,672)	(1,275)	(731)	(696)
Interest expense		1,495	8,024	6,928	5,564	4,664
(Gain)/loss from change in fair value of other financial assets		(893)	3,567	1,167	1,165	612
Gain on fair value of investment properties		–	–	(1,960)	(649)	(1,029)
Operating profit before working capital changes		107,111	136,826	181,529	35,100	16,976
Inventories		(45,639)	96,749	(46,194)	(241,209)	(308,993)
Trade and other receivables		(164,215)	(41,373)	(150,792)	198,204	172,971
Trade and other payables		182,555	2,198	212,360	146,354	213,547
Provisions		16,157	6,650	(4,057)	654	(2,026)
Cash generated from operations		95,969	201,050	192,846	139,103	92,475
Income tax paid		(14,879)	(20,818)	(18,119)	(14,033)	(20,321)
Net cash generated from operating activities		81,090	180,232	174,727	125,070	72,154

		Year ended December 31,			Nine months ended September 30,	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flow from investing activities						
Additions to property, plant and equipment and intangible assets		(58,934)	(237,347)	(77,128)	(71,112)	(61,850)
Proceeds from sale of property, plant and equipment		16	212	475	421	95
Interest received		2,518	1,672	1,275	731	696
Cash received from government grants related to assets		–	4,800	15,600	15,300	6,220
Acquisition of a subsidiary, net of cash acquired	32i(c)	–	–	–	–	(4,486)
Loan to related parties		–	–	(10,000)	(10,000)	–
Net cash flows used in investing activities		(56,400)	(230,663)	(69,778)	(64,660)	(59,325)
Cash flow from financing activities						
Proceeds of borrowings from related companies		250,000	330,681	195,500	195,500	65,000
Proceeds of borrowings from banks		90,000	65,891	51,377	34,044	–
Repayment of borrowings to related companies		(240,353)	(298,476)	(266,435)	(251,837)	(35,000)
Repayment of borrowings to banks		–	(120,000)	(30,000)	(30,000)	–
Interest paid		(7,992)	(12,103)	(6,836)	(5,494)	(4,634)
Cash injection from non-controlling interest of a subsidiary		–	4,500	–	–	15,000
Dividend paid		–	(1,365)	–	–	–
Net cash generated from/(used in) financing activities		91,655	(30,872)	(56,394)	(57,787)	40,366
Net increase/(decrease) in cash and cash equivalents		116,345	(81,303)	48,555	2,623	53,195
Cash and cash equivalents at beginning of the year/period		38,279	153,930	72,933	72,933	123,582
Exchange (losses)/gains on cash and cash equivalents		(694)	306	2,094	(429)	(1,016)
Cash and cash equivalents at end of the year/period	23	153,930	72,933	123,582	75,127	175,761

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shenzhen CIMC-TianDa Airport Support Limited ("TianDa") is an equity joint venture established in Shenzhen, Guangdong in the People's Republic of China (the "PRC") by China International Marine Container (Group) Co., Ltd. ("CIMC Group") and China International Marine Container (Hong Kong) Co., Ltd. ("CIMC-HK"). TianDa obtained an approval certificate "Shen Fu Wai Fu [1992] No.049B" from the People's Government of Shenzhen City on 7 July 1992, and a business licence (No. 102866) on 18 July 1992 issued by Administration of Industry and Commerce in Shenzhen, Guangdong. The registered capital is United States dollars ("USD") USD13,500,000. TianDa has an approved operating period of 30 years.

As at 1 January 2014, CIMC-HK and Shenzhen TGM Ltd. ("TGM") held 70% and 30% of TianDa's equity interest respectively.

On 19 August 2014, CIMC-HK and TGM completed the share swap transaction with Pteris Global Limited ("Pteris"). After the transaction, TianDa became a wholly-owned subsidiary of Pteris.

In July 2015, Pteris transferred 30% equity interest of TianDa to Lucky Rich Holdings Limited. After the transaction, Pteris held 70% equity interest of TianDa.

TianDa and its subsidiaries' (the "TianDa Group") principal activities are manufacturing and sales of various airport and port electromechanical equipment, automatic parking system and equipment, automatic logistic system and equipment, airport used special equipment (aircraft caterer's delivery truck, aerospace self-propelled de-icing/anti-icing vehicle, container and container pallet loader, spreading vehicle, snow blower, and friction coefficient test vehicle), installation and rendering after-services for self-produced products and agent products, and car parking management services (operated by licensed branch office).

The Historical Financial Information are presented in Renminbi ("RMB"), 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 TianDa 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 TianDa 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

All new standards, amendments to standards and interpretations, which are mandatory for the financial period beginning on 1 January 2017 are consistently applied to the TianDa Group for the Relevant Periods.

The adoption of these new or amended HKFRS did not result in substantial changes to the accounting policies of the TidnDa Group and TianDa, and had no material effect on the amounts reported for the current or prior financial years.

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the TianDa Group's accounting periods beginning on or after 1 January 2018 and which the TianDa Group has not early adopted:

- HKFRS 15 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces HKAS 11 Construction contracts, HKAS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  HKFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

  (i) Revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

  (ii) Rights of return - HKFRS 15 requires separate presentation on the statements of financial position of the right to recover the goods from the customer and the refund obligation, and.

  (iii) Accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

  At this stage, the TianDa Group is not able to estimate the impact of the new rules on the TianDa Group's financial statements. The TianDa Group will make more detailed assessment of the impact over the next twelve months.

- HKFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the TianDa Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the TianDa Group include:

(i) equity investments currently measured at fair value through profit or loss which would likely to continue to be measured on the same basis under HKFRS 9, and

(ii) debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

Accordingly, the TianDa Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

There will be no impact on the TianDa 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 TianDa Group does not have any such liabilities. 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. While the TianDa Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The TianDa Group does not intend to adopt HKFRS 9 before its mandatory date.

- HKFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

HKFRS 16 will result in almost all leases being recognised on the lessee's statements of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the TianDa Group's operating leases. As at September 30, 2017, the TianDa Group has non-cancellable operating lease commitments of RMB22,343,000 (Note 31). However, the TianDa Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the TianDa Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

2.2 Revenue recognition

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

The TianDa 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 TianDa 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 TianDa 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 TianDa 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.

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 TianDa Group has control. The TianDa Group controls an entity when the TianDa 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 TianDa 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 TianDa 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 TianDa 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 TianDa 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 TianDa 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 TianDa 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 TianDa 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 TianDa. 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 TianDa.

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
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 (losses)/gains - net".

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 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 TianDa 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 TianDa 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.

2.8 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the TianDa'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

(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 TianDa 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
Investments in subsidiaries

Intangible assets, property, plant and equipment and investments 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.

2.10 Financial assets

(a) Classification

The TianDa 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 2.8 on Investments in subsidiaries. Loans and receivables are presented as "Trade receivables", "Prepayments and other receivables" (Note 22) and "Cash and cash equivalents" (Note 23) 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 TianDa 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 TianDa 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 TianDa 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.

2.11 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 TianDa 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 TianDa 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 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.

2.15 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.

2.16 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 TianDa 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.

2.17 Leases

(a) When the TianDa Group is the lessee

The TianDa Group leases land, factories and warehouses under operating leases from non-related parties.

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 TianDa Group is the lessor

Lessor – Operating leases

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

Lease of industrial land where the TianDa 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 TianDa 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.

2.18 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.

2.19 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 investments in subsidiaries, associated companies and joint ventures, except where the TianDa 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 TianDa 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 TianDa 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.

2.20 Provisions

Provisions for warranty are recognised when the TianDa 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 TianDa 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.

2.21 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 TianDa Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The TianDa 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 TianDa Group recognises termination benefits at the earlier of the following dates: (a) when the TianDa 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.

2.22 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the TianDa 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, which is the functional currency of TianDa.

(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 (losses)/gains - 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 TianDa Group entities' financial statements

The results and financial position of all the TianDa 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.

2.23 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.

2.24 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.

2.25 Government grants

Government grants are transfer of monetary assets from the government to the TianDa 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 TianDa 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 TianDa 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.

2.26 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.

2.27 Dividends to TianDa's shareholders

Dividends to TianDa's shareholders 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.

3.1 Critical accounting estimates and assumptions

The TianDa 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 2.9.

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 16(a).

(b) 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, 2014, 2015 and 2016 and September 30, 2017, the TianDa Group recorded allowance for impairment of trade and other receivables amounting to RMB39,783,000, RMB45,112,000, RMB47,464,000 and RMB44,639,000. Further analysis of the TianDa Group's credit profile is set out in Note 22.

(c) Uncertain tax positions

The TianDa 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.

(d) Warranties

The TianDa Group and TianDa 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 29.

(e) Fair value estimation on investment properties

The TianDa 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 15.

4 FINANCIAL RISK MANAGEMENT

The TianDa 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 TianDa Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the TianDa Group's financial performance.

4.1 Market risk

(a) Foreign currency risk

The TianDa 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 TianDa Group's foreign currency denominated monetary assets and monetary liabilities at December 31, 2014, 2015 and 2016 and September 30, 2017 are as follows:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
United States dollars ("USD")	172,390	105,579	158,185	226,740
Euro ("EUR")	59,623	66,717	112,116	68,084
Total	232,013	172,296	270,301	294,824
Liabilities				
USD	(82,058)	(54,748)	(36,364)	(37,324)
EUR	(9,000)	(766)	(26,020)	(65,267)
Total	(91,058)	(55,514)	(62,384)	(102,591)

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

The following table details the TianDa 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.

	Increase/(decrease) in profit before tax for the year/period			
	Year ended December 31,			**Nine months ended September 30,**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– if RMB strengthens against foreign currencies				
USD	(4,517)	(2,542)	(6,091)	(9,471)
EUR	(2,531)	(3,298)	(4,305)	(141)
– if RMB weakens against foreign currencies				
USD	4,517	2,542	6,091	9,471
EUR	2,531	3,298	4,305	141

(b) Interest rate risk

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

As at December 31, 2014, 2015 and 2016 and September 30, 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 RMB486,000, RMB1,311,000, RMB1,229,000 and RMB1,445,000, mainly as a result of higher/lower interest expense on these borrowings.

4.2 Credit risk

The TianDa 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 TianDa Group's credit risk is significantly reduced.

For bank deposits, the TianDa Group placed the deposits with banks and financial institutions which have good collection track record. For trade receivables, the TianDa 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 TianDa 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 TianDa Group level by the Head of Credit Control.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the trade receivables of the TianDa Group and of TianDa comprise 19, 17, 20 and 16 debtors and 19, 17, 14 and 19 debtors, respectively that individually represented 1% - 10% of the trade receivables.

See Notes 22 for further disclosure on credit risk.

4.3 Liquidity risk

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

The TianDa Group	**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, 2014					
Bank borrowings (including interest payable upon maturity)	185,000	–	–	–	185,000
Trade and other payables excluding non-financial liabilities	456,679	–	–	–	456,679
Total	641,679	–	–	–	641,679
At December 31, 2015					
Bank borrowings (including interest payable upon maturity)	53,308	6,199	–	–	59,507
Trade and other payables excluding non-financial liabilities	623,486	–	–	–	623,486
Total	676,794	6,199	–	–	682,993
At December 31, 2016					
Bank borrowings (including interest payable upon maturity)	22,604	49,504	–	–	72,108
Trade and other payables excluding non-financial liabilities	647,717	2,063	66,876	–	716,656
Total	670,321	51,567	66,876	–	788,764
At 30 September 2017					
Bank borrowings (including interest payable upon maturity)	51,485	49,509	–	–	100,994
Trade and other payables excluding non-financial liabilities	539,469	67,391	2,610	–	609,470
Total	590,954	116,900	2,610	–	710,464

TianDa	**Less than 1 year** *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
At December 31, 2014					
Bank borrowings (including interest payable upon maturity)	185,000	–	–	–	185,000
Trade and other payables excluding non-financial liabilities	413,204	–	–	–	413,204
Total	598,204	–	–	–	598,204
At December 31, 2015					
Bank borrowings (including interest payable upon maturity)	53,308	6,199	–	–	59,507
Trade and other payables excluding non-financial liabilities	513,354	–	–	–	513,354
Total	566,662	6,199	–	–	572,861
At December 31, 2016					
Bank borrowings (including interest payable upon maturity)	22,604	49,504	–	–	72,108
Trade and other payables excluding non-financial liabilities	578,525	–	–	–	578,525
Total	601,129	49,504	–	–	650,633
At 30 September 2017					
Bank borrowings (including interest payable upon maturity)	51,485	49,509	–	–	100,994
Trade and other payables excluding non-financial liabilities	447,030	–	–	–	447,030
Total	498,515	49,509	–	–	548,024

4.4 Capital risk management

The TianDa Group's objectives when managing capital are to safeguard the TianDa 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 TianDa 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 TianDa 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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2014				
Assets				
Derivative financial instruments	–	187	–	187
Total assets	–	187	–	187
At December 31, 2015				
Liabilities				
Derivative financial instruments	–	(2,036)	–	(2,036)
Total liabilities	–	(2,036)	–	(2,036)
At December 31, 2016				
Liabilities				
Derivative financial instruments	–	(2)	–	(2)
Total liabilities	–	(2)	–	(2)
At September 30, 2017				
Assets				
Derivative financial instruments	–	105	–	105
Total assets	–	105	–	105

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

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.

5 SEGMENT INFORMATION

The TianDa Group has three reportable segments, as described below, which are the TianDa 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 TianDa 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 TianDa 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, 2014			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	757,449	137,768	88,508	983,725
Profit or loss				
Interest income	464	1,999	55	2,518
Finance costs	1,486	–	9	1,495
Depreciation	2,439	174	426	3,039
Amortisation	733	23	940	1,696
Reportable segment profit/(loss) before income tax	97,490	(1,640)	6,885	102,735

	Year Ended December 31, 2015			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	876,123	169,345	80,460	1,125,928
Profit or loss				
Interest income	344	993	335	1,672
Finance costs	8,024	–	–	8,024
Depreciation	8,319	76	565	8,960
Amortisation	5,857	29	723	6,609
Reportable segment profit before income tax	104,011	1,268	5,902	111,181

	Year Ended December 31, 2016			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	894,819	132,476	106,870	1,134,165
Profit or loss				
Interest income	801	294	180	1,275
Finance costs	6,928	–	–	6,928
Depreciation	22,622	150	1,051	23,823
Amortisation	4,874	7	470	5,351
Reportable segment profit before income tax	138,618	2,247	6,962	147,827

	Nine Months Ended September 30, 2016 (unaudited)			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	247,544	64,817	73,049	385,410
Profit or loss				
Interest income	297	276	158	731
Finance costs	5,564	–	–	5,564
Depreciation	16,531	110	382	17,023
Amortisation	4,133	24	385	4,542
Reportable segment profit/(loss) before income tax	9,563	(5,977)	4,924	8,510

	Nine Months Ended September 30, 2017			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	327,261	21,654	60,813	409,728
Profit or loss				
Interest income	376	164	156	696
Finance costs	4,608	56	–	4,664
Depreciation	18,742	163	777	19,682
Amortisation	7,662	127	254	8,043
Reportable segment profit/(loss) before income tax	4,247	(21,574)	3,025	(14,302)

	At December 31, 2014			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets				
Trade receivables	579,056	18,634	41,666	639,356
Inventories	235,211	14,624	9,969	259,804
Property, plant and equipment	174,864	2,373	1,727	178,964
Intangible assets	9,817	–	1,865	11,682
Unallocated				347,055
				1,436,861
Segment assets includes:				
Additions to property, plant and equipment				63,034
Additions to intangible assets				7,781
Liabilities				
Reportable segment liabilities				
Borrowings	185,000	–	–	185,000
Other payables	145,259	14,543	11,234	171,036
Provisions	43,505	4,950	5,790	54,245
Unallocated				551,840
				962,121

	At December 31, 2015			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets				
Trade receivables	599,964	58,847	26,684	685,495
Inventories	156,359	4,139	21,684	182,182
Property, plant and equipment	271,737	114,692	5,519	391,948
Investment properties	66,155	–	–	66,155
Intangible assets	61,109	–	1,865	62,974
Unallocated				238,032
				1,626,786
Segment assets includes:				
Additions to property, plant and equipment				222,313
Additions to intangible assets				56,480
Liabilities				
Reportable segment liabilities				
Borrowings	58,891	–	–	58,891
Other payables	166,087	7,654	6,209	179,950
Provisions	45,667	5,899	9,329	60,895
Unallocated				726,408
				1,026,144

	At December 31, 2016			
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets				
Trade receivables	716,810	131,075	26,640	874,525
Inventories	209,444	714	18,218	228,376
Property, plant and equipment	269,736	170,684	5,519	445,939
Investment properties	68,516	–	–	68,516
Intangible assets	50,213	–	1,865	52,078
Unallocated				329,048
				1,998,482
Segment assets includes:				
Additions to property, plant and equipment				78,359
Additions to intangible assets				154
Liabilities				
Reportable segment liabilities				
Borrowings	67,269	–	–	67,269
Other payables	295,068	16,469	5,459	316,996
Provisions	45,186	3,420	8,232	56,838
Unallocated				826,591
				1,267,694

	At 30 September 2017				
	Passenger boarding bridge and automated parking system	**Logistic system business**	**Ground support equipment**	**Reconciliations – eliminations of inter-segment revenue and balances**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Reportable segment assets					
Trade receivables	473,067	81,677	26,098	–	580,842
Inventories	488,024	18,623	38,324	–	544,971
Property, plant and equipment	426,674	867	4,401	–	431,942
Investment properties	69,545	–	–	–	69,545
Intangible assets	99,930	20,524	1,865	–	122,319
Unallocated					519,257
					2,268,876
Segment assets includes:					
Additions to property, plant and equipment					2,269
Additions to intangible assets					48,880
Liabilities					
Reportable segment liabilities					
Borrowings	97,269	–	–	–	97,269
Other payables	575,976	106,028	4,888	(25,966)	660,926
Provisions	42,151	3,542	9,119	–	54,812
Unallocated					710,864
					1,523,871

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, 2014	**December 31,2015**	**December 31, 2016**	**September 30, 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets for reportable segments	1,089,806	1,388,754	1,669,434	1,749,619
Unallocated:				
Cash and cash equivalents	153,930	72,933	123,582	175,761
Prepayment and other receivables	104,590	74,365	113,088	248,660
Land use rights	66,654	70,474	68,911	67,739
Others	21,881	20,260	23,467	27,097
	1,436,861	1,626,786	1,998,482	2,268,876

Segment liabilities

	December 31, 2014	December 31, 2015	December 31, 2016	September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment liabilities for reportable segments	410,281	299,736	441,103	813,007
Other segment liabilities				
Unallocated:				
Trade and other payables	490,021	653,810	676,583	560,270
Provision for taxation	21,054	16,151	21,128	1,824
Deferred income	40,765	43,022	50,748	69,682
Others	–	13,425	78,132	79,088
	962,121	1,026,144	1,267,694	1,523,871

(b) Geographical information

The TianDa Group operates from its facilities in People's Republic of China and Asia.

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,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Middle East	125,188	–	53,188	741	2,223
People's Republic of China	566,558	916,705	757,577	196,452	224,726
Asia	89,395	77,178	41,577	21,333	44,783
North America	5	6,153	100	100	111
South America	14,982	15,622	33,140	3,153	275
Oceania	45,762	20,760	38,697	34,725	6,068
Europe	97,460	49,278	114,635	85,405	99,048
Africa and others	44,375	40,232	95,251	43,501	32,494
	983,725	1,125,928	1,134,165	385,410	409,728

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets (excluding deferred tax assets and goodwill)				
People's Republic of China	257,274	592,037	635,682	678,210

(c) Revenue from major customers

During the years ended December 31, 2014, 2015 and 2016 and nine months ended September 30, 2016 and 2017, there were one, two, one, nil and two customers, respectively, which individually contributed over 10% of the TianDa Group's total revenue. During the Relevant Periods, the revenue contributed from these customers are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	–	–	–	–	46,668
Customer B	93,305	–	–	–	–
Customer C	–	–	125,567	–	–
Customer D	–	193,530	–	–	–
Customer E	–	–	–	–	49,062
Customer F	–	107,622	–	–	–
	93,305	301,152	125,567	–	95,730

6 REVENUE

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of goods	837,732	913,745	950,397	319,214	353,223
Services rendered	145,993	212,183	183,768	66,196	56,505
	983,725	1,125,928	1,134,165	385,410	409,728

7 OTHER INCOME

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	2,518	1,672	1,275	731	696
Government grants	2,775	26,891	26,016	11,430	13,889
Rental income	2,250	3,240	10,508	8,044	11,583
Sale of scrap materials	1,367	1,793	1,691	1,186	1,261
Others *(Note 33(b)(viii))*	–	–	–	–	2,169
	8,910	33,596	39,490	21,391	29,598

8 OTHER (LOSSES)/GAINS – NET

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net foreign exchange gain	2,215	1,959	2,042	1,669	1,239
(Loss)/gain on disposal of property, plant and equipment	(1,557)	(157)	332	324	(2)
Write-back of guarantees for third parties	–	–	3,988	3,988	2,148
Gain on fair value of investment properties	–	–	1,960	649	1,029
Gain/(loss) on fair value of derivative financial instruments	893	(3,567)	(1,167)	(1,165)	(612)
Others	(2,124)	1,826	(737)	668	652
	(573)	61	6,418	6,133	4,454

9 FINANCE COSTS

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance costs:					
– Interest expense on loans from related parties	5,003	8,392	4,995	4,331	2,316
– Interest expense on bank borrowings	2,989	3,711	1,933	1,233	2,348
Less: interest expense capitalised	(6,497)	(4,079)	–	–	–
	1,495	8,024	6,928	5,564	4,664

10 INCOME TAX EXPENSE/(CREDIT)

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current income tax					
– Current tax on profits for the year/period	21,997	15,914	21,171	1,138	888
Deferred income tax *(Note 24)*	(7,197)	(1,557)	(3,490)	(2,757)	(3,894)
Income tax expense/(credit)	14,800	14,357	17,681	(1,619)	(3,006)

(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% during the Relevant Periods.

TianDa and its subsidiaries, 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% during the Relevant Periods.

The tax on the TianDa Group's profit before income tax differs from the theoretical amount that could arise using the statutory tax rates applicable to profits of the consolidated entities during the Relevant Periods is as follows:

	Year ended December 31,			**Nine months ended September 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit/(loss) before income tax	102,735	111,181	147,827	8,510	(14,302)
Tax calculated at tax rate of 25%	25,684	27,795	36,957	2,128	(3,576)
Tax effect of:					
Expenses not deductible for tax purpose	1,362	379	565	357	993
Effect of different tax rates of subsidiaries and tax incentive	(12,246)	(13,817)	(19,481)	(4,104)	(423)
Others	–	–	(360)	–	–
Income tax expense/(credit)	14,800	14,357	17,681	(1,619)	(3,006)

The tax (charge)/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**
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2014	–	–	–
Year ended December 31, 2015	30,521	(4,578)	25,943
Year ended December 31, 2016	–	–	–

	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**
	RMB'000	*RMB'000*	*RMB'000*
Nine months period ended September 30, 2016 (unaudited)	–	–	–
Nine months period ended September 30, 2017	–	–	–

11 EXPENSES BY NATURE

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of inventories	580,679	634,697	612,617	141,418	166,293
Subcontracting expenses	–	101,988	59,017	30,803	36,701
Employee benefit expenses *(Note 12)*	148,598	152,046	175,937	129,082	143,706
Amortisation of land use rights *(Note 13)*	1,355	1,931	1,563	1,172	1,172
Amortisation of intangible assets *(Note 16)*	341	4,678	3,788	3,370	6,871
Depreciation of property, plant and equipment *(Note 14)*	3,039	8,960	23,823	17,023	19,682
Provision for/(write-back of) impairment of trade receivables *(Note 22)*	10,485	5,695	8,941	(6,835)	(162)
Research and development expense	6,280	8,005	14,197	12,133	18,155
Shipping fees	55,794	29,884	44,816	20,439	21,688
Entertainment expense	4,684	9,050	13,362	7,102	5,944
Transportation and travelling expense	6,707	9,729	11,778	7,276	7,089
Operating lease expense	12,475	7,148	2,755	2,235	2,117
Warranty	21,220	16,095	4,086	5,139	4,652
Bank settlement charges	1,405	2,120	3,356	2,716	3,386
Auditor's fees	142	637	1,217	1,160	585
Sales commission	7,418	6,945	9,546	3,682	1,018
Tax fee	8,076	9,139	9,048	4,788	6,359
Professional and consultancy fees	3,740	5,017	6,978	2,605	2,201
Inventory write-down	6,095	1,037	5,157	2,246	–
Others	9,299	25,579	13,336	11,306	5,961
Total cost of sales, selling and distribution cost and general and administrative expenses	887,832	1,040,380	1,025,318	398,860	453,418

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and welfare	116,842	117,503	143,369	105,041	115,689
Pension, housing fund, medical insurance and other social insurances	32,691	35,640	32,946	24,419	28,375
Less: employee benefits capitalized	(935)	(1,097)	(378)	(378)	(358)
	148,598	152,046	175,937	129,082	143,706

During the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, (i) the directors of TianDa receive compensation of RMB2,193,000, RMB4,155,000, RMB4,296,000, RMB3,680,000 and RMB3,022,000 respectively in respect of their services to the TianDa Group; (ii) none of the directors of TianDa waived any emoluments paid or payable by the TianDa Group; (iii) no emoluments were paid by the TianDa Group to the directors as an inducement to join or upon joining the TianDa 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, 2014, 2015 and 2016 and nine months ended September 30, 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, 2014, 2015 and 2016 and nine months ended September 30, 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, 2014, 2015 and 2016 and nine months ended September 30, 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, 2014, 2015 and 2016 and nine months ended September 30, 2016 and 2017.

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

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

13 LAND USE RIGHTS

The TianDa Group	Year ended December 31, 2014	2015	2016	Nine months ended September 30, 2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost					
At beginning of the year/period	64,769	73,219	75,172	75,172	75,172
Additions	8,450	23,286	–	–	–
Transfer to investment properties	–	(21,333)	–	–	–
At end of the year/period	73,219	75,172	75,172	75,172	75,172
Accumulated amortisation					
At beginning of the year/period	5,210	6,565	4,698	4,698	6,261
Amortisation of land use rights	1,355	1,931	1,563	1,172	1,172
Transfer to investment properties	–	(3,798)	–	–	–
At end of the year/period	6,565	4,698	6,261	5,870	7,433
Net book value	66,654	70,474	68,911	69,302	67,739

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:

The TianDa Group	Year ended December 31, 2014	2015	2016	Nine months ended September 30, 2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of sales	868	641	874	640	640
General and administrative expenses	487	1,290	689	532	532
	1,355	1,931	1,563	1,172	1,172

TianDa	Year ended December 31, 2014	2015	2016	Nine months ended September 30, 2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost					
At beginning of the year/period	65,109	65,109	43,776	43,776	43,776
Transfer to investment properties	–	(21,333)	–	–	–
At end of the year/period	65,109	43,776	43,776	43,776	43,776
Accumulated amortisation					
At beginning of the year/period	5,890	6,891	4,094	4,094	5,030
Amortisation of land use rights	1,001	1,001	936	703	701
Transfer to investment properties	–	(3,798)	–	–	–
At end of the year/period	6,891	4,094	5,030	4,797	5,731
Net book value	58,218	39,682	38,746	38,979	38,045

14 PROPERTY, PLANT AND EQUIPMENT

The TianDa Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2014	16,276	19,980	4,818	17,898	107,017	165,989
Additions	–	4,741	214	1,626	47,905	54,486
Disposals and write-offs	–	(6,898)	(362)	(2,876)	–	(10,136)
As at December 31, 2014	16,276	17,823	4,670	16,648	154,922	210,339
Accumulated depreciation						
As at January 1, 2014	10,697	11,806	2,600	11,796	–	36,899
Depreciation charge	595	1,060	613	771	–	3,039
Disposals and write-offs	–	(5,649)	(326)	(2,588)	–	(8,563)
As at December 31, 2014	11,292	7,217	2,887	9,979	–	31,375
Net book value						
As at December 31, 2014	4,984	10,606	1,783	6,669	154,922	178,964
Cost						
As at January 1, 2015	16,276	17,823	4,670	16,648	154,922	210,339
Additions	81,756	23,880	2,188	30,666	101,922	240,412
Disposals and write-offs	–	(810)	(849)	(6)	–	(1,665)
Transfers out from construction in progress	198,090	30,601	–	–	(228,691)	–
Transfers to investment properties *(Note 15)*	(18,099)	–	–	–	–	(18,099)
As at December 31, 2015	278,023	71,494	6,009	47,308	28,153	430,987
Accumulated depreciation						
As at January 1, 2015	11,292	7,217	2,887	9,979	–	31,375
Depreciation charge	5,353	2,292	632	683	–	8,960
Disposals and write-offs	–	(529)	(765)	(2)	–	(1,296)
As at December 31, 2015	16,645	8,980	2,754	10,660	–	39,039
Net book value						
As at December 31, 2015	261,378	62,514	3,255	36,648	28,153	391,948

The TianDa Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2016	278,023	71,494	6,009	47,308	28,153	430,987
Additions	8,126	5,977	191	4,198	59,866	78,358
Disposals and write-offs	(65)	(61)	–	(24)	–	(150)
Transfers out from construction in progress	78,944	–	52	5,132	(84,128)	–
Transfers to investment properties	(401)	–	–	–	–	(401)
As at December 31, 2016	364,627	77,410	6,252	56,614	3,891	508,794
Accumulated depreciation						
As at January 1, 2016	16,645	8,980	2,754	10,660	–	39,039
Depreciation charge	9,908	5,808	1,085	7,022	–	23,823
Disposals and write-offs	–	–	–	(7)	–	(7)
As at December 31, 2016	26,553	14,788	3,839	17,675	–	62,855
Net book value						
As at December 31, 2016	338,074	62,622	2,413	38,939	3,891	445,939
Unaudited:						
Cost						
As at January 1, 2016	278,023	71,494	6,009	47,308	28,153	430,987
Additions	7,263	2,722	191	3,439	57,467	71,082
Disposals and write-offs	(17)	(61)	–	(24)	–	(102)
Transfers out from construction in progress	78,589	–	–	4,070	(82,659)	–
As at September 30, 2016	363,858	74,155	6,200	54,793	2,961	501,967
Accumulated depreciation						
As at January 1, 2016	16,645	8,980	2,754	10,660	–	39,039
Depreciation charge	7,084	4,177	738	5,024	–	17,023
Disposals and write-offs	–	–	–	(5)	–	(5)
As at September 30, 2016	23,729	13,157	3,492	15,679	–	56,057
Net book value						
As at September 30, 2016	340,129	60,998	2,708	39,114	2,961	445,910

The TianDa Group	Land and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2017	364,627	77,410	6,252	56,614	3,891	508,794
Additions	784	1,947	241	1,421	1,197	5,590
Arising from acquisition *(Note 32)*	–	–	160	32	–	192
Disposals and write-offs	–	(451)	(162)	(296)	–	(909)
As at September 30, 2017	365,411	78,906	6,491	57,771	5,088	513,667
Accumulated depreciation						
As at January 1, 2017	26,553	14,788	3,839	17,675	–	62,855
Depreciation charge	8,721	4,433	597	5,931	–	19,682
Disposals and write-offs	–	(366)	(154)	(292)	–	(812)
As at September 30, 2017	35,274	18,855	4,282	23,314	–	81,725
Net book value						
As at September 30, 2017	330,137	60,051	2,209	34,457	5,088	431,942

TianDa	Land and Buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2014	16,139	17,834	3,633	17,778	107,017	162,401
Additions	–	4,506	214	1,376	45,859	51,955
Disposals and write-offs	–	(6,886)	(362)	(2,871)	–	(10,119)
As at December 31, 2014	16,139	15,454	3,485	16,283	152,876	204,237
Accumulated depreciation						
As at January 1, 2014	10,697	10,899	2,105	11,794	–	35,495
Depreciation charge	458	771	476	734	–	2,439
Disposals and write-offs	–	(5,648)	(326)	(2,587)	–	(8,561)
As at December 31, 2014	11,155	6,022	2,255	9,941	–	29,373
Net book value						
As at December 31, 2014	4,984	9,432	1,230	6,342	152,876	174,864

TianDa	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*
Cost						
As at January 1, 2015	16,139	15,454	3,485	16,283	152,876	204,237
Additions	6,075	13,950	1,655	30,097	69,885	121,662
Disposals and write-offs	–	–	(481)	–	–	(481)
Transfers out from construction in progress	191,490	30,601	–	–	(222,091)	–
Transfers to investment properties	(18,099)	–	–	–	–	(18,099)
As at December 31, 2015	195,605	60,005	4,659	46,380	670	307,319
Accumulated depreciation						
As at January 1, 2015	11,155	6,022	2,255	9,941	–	29,373
Depreciation charge	3,918	1,559	582	568	–	6,627
Disposals and write-offs	–	–	(419)	–	–	(419)
As at December 31, 2015	15,073	7,581	2,418	10,509	–	35,581
Net book value						
As at December 31, 2015	180,532	52,424	2,241	35,871	670	271,738
Cost						
As at January 1, 2016	195,605	60,005	4,659	46,380	670	307,319
Additions	7,688	5,407	191	4,033	3,404	20,723
Disposals and write-offs	(65)	–	–	–	–	(65)
Transfers out from construction in progress	–	–	52	1,062	(1,114)	–
Transfers to investment properties	(401)	–	–	–	–	(401)
As at December 31, 2016	202,827	65,412	4,902	51,475	2,960	327,576
Accumulated depreciation						
As at January 1, 2016	15,073	7,581	2,418	10,509	–	35,581
Depreciation charge	6,370	4,504	914	6,451	–	18,239
As at December 31, 2016	21,443	12,085	3,332	16,960	–	53,820
Net book value						
As at December 31, 2016	181,384	53,327	1,570	34,515	2,960	273,756

TianDa	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*
Unaudited:						
Cost						
As at January 1, 2016	195,605	60,005	4,659	46,380	670	307,319
Additions	6,808	2,250	191	3,193	1,429	13,871
Transfers out from construction in progress	–	–	–	159	(159)	–
As at September 30, 2016	202,413	62,255	4,850	49,732	1,940	321,190
Accumulated depreciation						
As at January 1, 2016	15,073	7,581	2,418	10,509	–	35,581
Depreciation charge	4,848	3,207	610	4,682	–	13,347
As at September 30, 2016	19,921	10,788	3,028	15,191	–	48,928
Net book value						
As at September 30, 2016	182,492	51,467	1,822	34,541	1,940	272,262
Cost						
As at January 1, 2017	202,827	65,412	4,902	51,475	2,960	327,576
Additions	224	1,747	73	911	1,139	4,094
Disposals and write-offs	–	(451)	(162)	(289)	–	(902)
As at September 30, 2017	203,051	66,708	4,813	52,097	4,099	330,768
Accumulated depreciation						
As at January 1, 2017	21,443	12,085	3,332	16,960	–	53,820
Depreciation charge	4,821	3,442	426	5,359	–	14,048
Disposals and write-offs	–	(366)	(154)	(288)	–	(808)
As at September 30, 2017	26,264	15,161	3,604	22,031	–	67,060
Net book value						
As at September 30, 2017	176,787	51,547	1,209	30,066	4,099	263,708

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,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of sales	889	2,910	13,834	11,101	11,893
Selling and distribution costs	74	53	176	86	151
General and administrative expenses	2,076	5,997	9,813	5,836	7,638
	3,039	8,960	23,823	17,023	19,682

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 RMB6,496,897 and RMB4,079,391 with a capitalisation rate of 5.15% and 5.47% respectively for the years ended December 31, 2014 and 2015.

There were no borrowing cost capitalised for the remaining Relevant Periods.

At December 31, 2014, 2015, 2016 and September 30 2017, the TianDa 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 RMB4,984,000 RMB179,200,000 RMB179,424,000 and RMB175,040,000.

15 INVESTMENT PROPERTIES

	As at December 31,			As at September 30,	
The TianDa Group and TianDa	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At fair value					
At beginning of the year/period	–	–	66,155	66,155	68,516
Net gains from fair value adjustment *(Note 8)*	–	–	1,960	649	1,029
Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights	–	30,521	–	–	–
Transferred from property, plant and equipment	–	18,099	401	–	–
Transferred from land use rights	–	17,535	–	–	–
At end of the year/period	–	66,155	68,516	66,804	69,545

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income	–	977	5,211	3,918	4,090
Direct operating expenses from property that generated rental income	–	–	67	67	219

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

Location	Description/existing use	Tenure
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 September 30, 2017, the TianDa Group had no unprovided contractual obligations for future repairs and maintenance.

The TianDa 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 rental. The TianDa 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 24).

Valuation of the TianDa 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 September 30, 2017, the revaluation gains or losses is included in 'Other (losses)/gains - 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)
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2015			
– Land use rights and factory building – China	–	–	66,155
December 31, 2016			
– Land use rights and factory building – China	–	–	68,516
September 30, 2017			
– Land use rights and factory building – China	–	–	69,545

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

Level 3 fair values of the TianDa Group's investment properties have been generally derived using the rental income approach. Rent 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 rent growth rate and discount rate.

The TianDa 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
Land use rights and factory building – China	Rental income approach	The rent growth rate and discount rate	The higher the rent growth rate, the higher the fair value, the lower discount rate, the higher the fair value

(e) Valuation processes of the TianDa Group

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

The finance department of the TianDa 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").

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 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.

16 INTANGIBLE ASSETS

The TianDa Group	Goodwill	Software	Operating rights for automated parking system	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at January 1, 2014	1,865	3,513	7,519	12,897
Additions	–	198	2,298	2,496
As at December 31, 2014	1,865	3,711	9,817	15,393
Accumulated amortisation				
As at January 1, 2014	–	1,531	–	1,531
Amortisation	–	341	–	341
As at December 31, 2014	–	1,872	–	1,872
Net book value				
As at December 31, 2014	1,865	1,839	9,817	13,521

The TianDa Group	Goodwill	Software	Operating rights for automated parking system	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at January 1, 2015	1,865	3,711	9,817	15,393
Additions	–	938	55,544	56,482
As at December 31, 2015	1,865	4,649	65,361	71,875
Accumulated amortisation				
As at January 1, 2015	–	1,872	–	1,872
Amortisation	–	426	4,252	4,678
As at December 31, 2015	–	2,298	4,252	6,550
Net book value				
As at December 31, 2015	1,865	2,351	61,109	65,325
Cost				
As at January 1, 2016	1,865	4,649	65,361	71,875
Additions	–	153	–	153
Cost adjustment (a)	–	–	(7,509)	(7,509)
As at December 31, 2016	1,865	4,802	57,852	64,519
Accumulated amortisation				
As at January 1, 2016	–	2,298	4,252	6,550
Amortisation	–	401	3,387	3,788
As at December 31, 2016	–	2,699	7,639	10,338
Net book value				
As at December 31, 2016	1,865	2,103	50,213	54,181
Unaudited:				
Cost				
As at January 1, 2016	1,865	4,649	65,361	71,875
Additions	–	30	–	30
Cost adjustment	–	–	(7,498)	(7,498)
As at September 30, 2016	1,865	4,679	57,863	64,407
Accumulated amortisation				
As at January 1, 2016	–	2,298	4,252	6,550
Amortisation	–	320	3,050	3,370
As at September 30, 2016	–	2,618	7,302	9,920
Net book value				
As at September 30, 2016	1,865	2,061	50,561	54,487

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

The TianDa Group	Goodwill	Software	Operating rights for automated parking system	Patents	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2017	1,865	4,802	57,852	–	–	64,519
Additions	–	398	–	48,880	7,381	56,659
Arising from acquisition *(Note 32)*	13,644	–	–	6,880	–	20,524
As at September 30, 2017	15,509	5,200	57,852	55,760	7,381	141,702
Accumulated amortisation						
As at January 1, 2017	–	2,699	7,639	–	–	10,338
Amortisation	–	327	2,531	4,013	–	6,871
As at September 30, 2017	–	3,026	10,170	4,013	–	17,209
Net book value						
As at September 30, 2017	15,509	2,174	47,682	51,747	7,381	124,493

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of sales	–	4,252	3,387	3,050	6,454
General and administrative expenses	341	426	401	320	417
	341	4,678	3,788	3,370	6,871

TianDa	Software	Operating rights for automated parking system	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
As at January 1, 2014	3,200	7,519	10,719
Additions	–	2,298	2,298
As at December 31, 2014	3,200	9,817	13,017
Accumulated amortisation			
As at January 1, 2014	1,471	–	1,471
Amortisation	292	–	292
As at December 31, 2014	1,763	–	1,763
Net book value			
As at December 31, 2014	1,437	9,817	11,254
Cost			
As at January 1, 2015	3,200	9,817	13,017
Additions	886	55,544	56,430
As at December 31, 2015	4,086	65,361	69,447
Accumulated amortisation			
As at January 1, 2015	1,763	–	1,763
Amortisation	368	4,252	4,620
As at December 31, 2015	2,131	4,252	6,383
Net book value			
As at December 31, 2015	1,955	61,109	63,064
Cost			
As at January 1, 2016	4,086	65,361	69,447
Additions	130	–	130
Cost adjustment	–	(7,509)	(7,509)
As at December 31, 2016	4,216	57,852	62,068
Accumulated amortisation			
As at January 1, 2016	2,131	4,252	6,383
Amortisation	365	3,387	3,752
As at December 31, 2016	2,496	7,639	10,135
Net book value			
As at December 31, 2016	1,720	50,213	51,933

TianDa	Software	Operating rights for automated parking system	Total
	RMB'000	*RMB'000*	*RMB'000*
Unaudited:			
Cost			
As at January 1, 2016	4,086	65,361	69,447
Additions	30	–	30
Cost adjustment	–	(7,498)	(7,498)
As at September 30, 2016	4,116	57,863	61,979
Accumulated amortisation			
As at January 1, 2016	2,131	4,252	6,383
Amortisation	272	3,050	3,322
As at September 30, 2016	2,403	7,302	9,705
Net book value			
As at September 30, 2016	1,713	50,561	52,274

TianDa	Software	Operating rights for automated parking system	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at January 1, 2017	4,216	57,852	–	62,068
Additions	398	–	7,381	7,779
As at September 30, 2017	4,614	57,852	7,381	69,847
Accumulated amortisation				
As at January 1, 2017	2,496	7,639	–	10,135
Amortisation	289	2,531	–	2,820
As at September 30, 2017	2,785	10,170	–	12,955
Net book value				
As at September 30, 2017	1,829	47,682	7,381	56,892

(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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Logistic System Business ("LSB-Jinte")	–	–	–	13,644
Ground Support Equipment ("GSE")	1,865	1,865	1,865	1,865
	1,865	1,865	1,865	15,509

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,			As at September 30,
	2014	**2015**	**2016**	**2017**
LSB-Jinte				
Gross profit margin	N/A	N/A	N/A	18%
Terminal value growth rate	N/A	N/A	N/A	3%
Discount rate	N/A	N/A	N/A	16%
GSE				
Gross profit margin	14%	14%	14%	14%
Terminal value growth rate	3%	3%	3%	3%
Discount rate	13%	13%	13%	13%

– 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 five years of cash flow forecasts. A long-term growth rate of 3% into perpetuity based on the terminal year's cash flows has been applied.

– 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-Jinte CGU and one-year bank fixed deposit under the GSE CGU, both 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

Management is of the view that any reasonable change in key assumptions used in the value in use calculation of CGUs will not result in material impact to the Historical Financial Information of the TianDa Group during Relevant Periods.

(b) Operating rights for automated parking system

In 2014 and 2015, the TianDa 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 TianDa 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 TianDa Group breaks even the construction costs for the Carpark System, the TianDa 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 TianDa 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 TianDa Group will have no further involvement in its operation or maintenance requirements.

(c) Patent for aircraft ground air conditioning

On 21 February 2017, TianDa bought a patent for aircraft ground air conditioning from third party Guangdong Jirong Air-conditioning Co., Ltd. at RMB48,880,000.

17 INVESTMENTS IN SUBSIDIARIES

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unquoted equity investment, at cost	109,691	158,191	183,192	227,072

The principal subsidiaries of the TianDa Group as at December 31, 2014, 2015 and 2016 and September 30, 2017 are disclosed below.

During the Relevant Periods, TianDa 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 TianDa Group as at December 31, 2014	December 31, 2015	December 31, 2016	September 30, 2017
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	(a)	100%	100%	100%	100%
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	(a)	100%	100%	100%	100%
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	(a)	100%	100%	100%	100%
Xinfa Airport Equipment Ltd.	People's Republic of China, 3 December 1997	Manufacture and sale of ground support equipment	RMB25,000,000	(b)	70%	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	(a)	100%	100%	100%	91.97%
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	(a)	60%	60%	60%	60%
Tianda-Rus, Ltd.	Russia, 12 August 2015	Sale of airport equipment and material handling system	RUB1,000,000	(f)	–	100%	100%	100%
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	(d)	–	–	–	70%
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	(c)	–	–	–	100%
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	(e)	–	–	–	91.97%

Notes:

(a) The statutory financial statements were audited by Pan-China Certified Public Accountants LLP, People's Republic of China for the years ended December 31, 2014, 2015 and 2016.

(b) The statutory financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP Shenzhen for the year ended December 31, 2014. 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.

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

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

(e) In June 2017, the TianDa Group acquired Zhengzhou Jinte Logistics Automation System Co., Ltd. (Note 32).

(f) Not required to be audited.

(a) Material non-controlling interests

Set out below are the summarised financial information for Xinfa Airport Equipment Ltd., as at December 31, 2014, 2015 and 2016 and September 30, 2017 and for the years/period then ended when the non-controlling interests were material to the TianDa Group. These are presented before inter-company eliminations.

Summarised statement of financial position	**As at December 31,**			**As at September 30,**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Assets	88,849	73,694	89,103	107,043
Liabilities	(66,160)	(38,419)	(47,297)	(66,970)
Total current net assets	22,689	35,275	41,806	40,073
Non-current				
Assets	6,703	9,709	9,376	8,677
Liabilities	–	–	–	–
Total non-current net assets	6,703	9,709	9,376	8,677
Net assets	29,392	44,984	51,182	48,750

Summarised statement of profit or loss	**Year ended December 31,**			**Nine months ended September 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	88,929	81,622	106,929	73,432	61,455
Profit before income tax	6,312	5,815	6,962	4,924	3,025
Income tax expense	(1,055)	(673)	(764)	(613)	(500)
Profit after tax	5,257	5,142	6,198	4,311	2,525
Total comprehensive income	5,257	5,142	6,198	4,311	2,525
Total comprehensive income allocated to non-controlling Interests	1,577	1,543	1,859	1,293	758

Summarised statements of cash flows	Year ended December 31, 2014	2015	2016	Nine months ended September 30, 2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash flows from operating activities					
Cash generated from/(used in) operations	14,404	7,906	13,179	4,055	(5,272)
Income tax paid	(1,747)	(2,287)	(4,137)	(2,580)	(3,729)
Net cash generated/(used in) from operating activities	12,657	5,619	9,042	1,475	(9,001)
Net cash used in investing activities	(5,001)	(4,659)	(44)	(44)	–
Net cash (used in)/generated from financing activities	(970)	4,464	–	–	–
Net increase/(decrease) in cash and cash equivalents	6,686	5,424	8,998	1,431	(9,001)
Cash and cash equivalents at beginning of year/period	5,807	12,492	18,831	18,831	28,682
Exchange (losses)/gains on cash and cash equivalents	(1)	915	853	278	(449)
Cash, cash equivalents at end of year	12,492	18,831	28,682	20,540	19,232

18 FINANCIAL INSTRUMENTS BY CATEGORY

The TianDa Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per statement of financial position				
Loans and receivables:				
– Trade and other receivables excluding prepayments	667,609	720,815	912,686	669,125
– Pledged bank deposits	–	1,075	1,040	544
– Cash and cash equivalents	153,930	72,933	123,582	175,761
Fair value through the profit and loss:				
– Financial assets at fair value through profit or loss	187	–	–	105
Total	821,726	794,823	1,037,308	845,535
Liabilities as per statement of financial position				
Financial liabilities at amortized cost:				
– Borrowings	185,000	58,891	67,269	97,269
– Trade and other payables excluding non-financial liabilities	456,679	623,486	711,153	605,125
Fair value through the profit and loss:				
– Financial liabilities at fair value through profit or loss	–	2,036	2	–
Total	641,679	684,413	778,424	702,394

TianDa	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per statement of financial position				
Loans and receivables:				
– Trade and other receivables excluding prepayments	669,504	669,915	855,728	605,003
– Pledged bank deposits	–	1,075	517	518
– Cash and cash equivalents	44,219	14,139	48,981	98,650
Fair value through the profit and loss:				
– Financial assets at fair value through profit or loss	187	–	–	105
Total	713,910	685,129	905,226	704,276
Liabilities as per statement of financial position				
Financial liabilities at amortized cost:				
– Borrowings	185,000	58,891	67,269	97,269
– Trade and other payables excluding non-financial liabilities	413,204	513,354	578,525	447,030
Fair value through the profit and loss:				
– Financial liabilities at fair value through profit or loss	–	2,036	2	–
Total	598,204	574,281	645,796	544,299

19 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

The TianDa Group and TianDa	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	187	(2,036)	(2)	105

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 each of the Relevant Periods are USD8,000,000, USD6,000,000 and EUR5,500,000, EUR1,100,000 and EUR8,000,000.

20 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	At January 1, 2014	Principal movement	Non-cash changes	At December 31, 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings and amounts due to related parties for financing purpose	85,353	99,647	–	185,000

	At December 31, 2014	Principal movement	Non-cash changes	At December 31, 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings and amounts due to related parties for financing purpose	185,000	(21,904)	–	163,096

	At December 31, 2015	Principal movement	Non-cash changes	At December 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings and amounts due to related parties for financing purpose	163,096	(49,558)	–	113,538

	At December 31, 2015	Principal movement	Non-cash changes	At September 30, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings and amounts due to related parties for financing purpose	163,096	(52,293)	–	110,803

	At December 31, 2016	Principal movement	Non-cash changes	At September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings and amounts due to related parties for financing purpose	113,538	30,000	–	143,538

Borrowings and amounts due to related parties for financing purpose includes the TianDa Group's borrowings amounting to RMB185,000,000, RMB58,891,000, RMB67,269,000 and RMB97,269,000 for the financial years ended December 31, 2014, 2015 and 2016 and nine month period ended September 30, 2017 respectively.

(b) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment comprise:

	Year Ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net book amount	1,573	369	143	97	97
(Loss)/gain on disposal of property, plant and equipment *(Note 8)*	(1,557)	(157)	332	324	(2)
Proceeds from disposal	16	212	475	421	95

21 INVENTORIES

The TianDa Group	As at December 31, **2014**	**2015**	**2016**	As at September 30, **2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	32,209	28,087	32,372	50,486
Work in progress	220,278	152,836	196,511	492,369
Finished goods	9,165	4,167	2,924	4,695
Spare parts	311	288	468	1,320
	261,963	185,378	232,275	548,870
Less: provision for impairment	(2,159)	(3,196)	(3,899)	(3,899)
	259,804	182,182	228,376	544,971

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB580,679,000, RMB634,697,000, RMB612,617,000 and RMB166,293,000 for the years/period ended December 31, 2014, 2015 and 2016, September 30 2017, respectively.

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

	Year Ended December 31, **2014**	**2015**	**2016**	Nine months ended September 30, **2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	2,159	2,159	3,196	3,899
Provision for inventories	–	1,037	5,157	–
Allowance utilised	–	–	(4,454)	–
At end of the year/period	2,159	3,196	3,899	3,899

TianDa	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	24,695	22,600	24,924	39,230
Work in progress	210,351	136,263	187,047	426,259
Spare parts	–	201	383	1,233
	235,046	159,064	212,354	466,722
Less: provision for impairment	(1,677)	(2,714)	(2,917)	(2,917)
	233,369	156,350	209,437	463,805

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

	Year Ended December 31, 2014	2015	2016	Nine months ended September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	1,677	1,677	2,714	2,917
Provision for inventories	–	1,037	4,657	–
Allowance utilised	–	–	(4,454)	–
At end of the year/period	1,677	2,714	2,917	2,917

22 TRADE AND OTHER RECEIVABLES

The TianDa Group

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from third parties	662,998	697,182	882,635	594,927
Trade receivables due from related parties *(Note 33)*	9,729	28,242	22,941	28,865
Bills receivables	6,229	5,000	16,230	1,506
Total trade receivables	678,956	730,424	921,806	625,298
Less: provision for impairment of trade receivables	(39,600)	(44,929)	(47,281)	(44,456)
Total trade receivables – net	639,356	685,495	874,525	580,842
Amounts due from related parties *(Note 33)*	814	232	12,478	20,128
Other receivables	13,489	15,229	3,002	41,385
Less: provision for impairment of other receivables	(183)	(183)	(183)	(183)
Total other receivables – net	13,306	15,046	2,819	41,202
Deposits	9,399	17,590	20,042	16,735
Prepayments	76,337	39,045	74,927	160,377
Advances to staff	4,734	2,452	2,822	10,218
Total prepayments and other receivables	104,590	74,365	113,088	248,660
	743,946	759,860	987,613	829,502

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the fair value of trade and other receivables of the TianDa 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 90 days. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at December 31, 2014, 2015 and 2016 and September 30, 2017, was as follows:

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – gross				
– Within 90 days	523,694	235,508	564,254	496,765
– 91 to 180 days	51,722	119,978	81,322	59,958
– 181 to 360 days	55,506	284,879	203,928	23,331
– Over 360 days	48,034	90,059	72,302	45,244
	678,956	730,424	921,806	625,298

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The TianDa Group does not hold any collateral as security over these debtors as at December 31, 2014, 2015 and 2016 and September 30, 2017.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of RMB523,694,000, RMB235,508,000, RMB564,254,000 and RMB496,765,000, respectively, were fully performing.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, no trade receivables were past due but not impaired.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of RMB155,262,000, RMB494,916,000, RMB357,552,000 and RMB128,533,000, respectively, were impaired. The amount of the provision was RMB39,600,000, RMB44,929,000, RMB47,281,000 and RMB44,456,000, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – gross				
– Within 90 days	–	–	–	–
– 91 to 180 days	51,722	119,978	81,322	59,958
– 181 to 360 days	55,506	284,879	203,928	23,331
– Over 360 days	48,034	90,059	72,302	45,244
	155,262	494,916	357,552	128,533

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the carrying amounts of trade and other receivables excluding prepayments are denominated in the following currencies:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	145,164	93,137	125,416	195,455
RMB	476,877	518,342	649,064	375,242
EUR	41,585	65,367	106,405	43,998
Others	3,983	43,969	31,801	54,430
	667,609	720,815	912,686	669,125

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

	Year ended December 31,			Nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
At beginning of the year/period	29,115	39,600	44,929	44,929	47,281
Provision for/(write-back) of receivables impairment	10,485	5,695	8,941	(6,835)	(162)
Allowance utilised	–	(366)	(6,589)	(6,461)	(2,663)
At end of the year/period	39,600	44,929	47,281	31,633	44,456

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

TianDa

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables due from third parties	612,132	661,979	786,972	513,823
Trade receivables due from related parties and subsidiaries	27,762	3,861	55,318	42,981
Bills receivables	6,229	5,000	16,030	456
Total trade receivables	646,123	670,840	858,320	557,260
Less: provision for impairment of trade receivables	(39,233)	(44,461)	(46,019)	(43,420)
Total trade receivables – net	606,890	626,379	812,301	513,840
Amounts due from related parties and subsidiaries	39,088	11,482	24,262	34,592
Other receivables	10,481	14,217	1,644	35,812
Less: provision for impairment of other receivables	(183)	(183)	(183)	(183)
Total other receivables – net	10,298	14,034	1,461	35,629
Deposits	9,322	15,719	15,747	12,696
Prepayments	48,836	29,195	38,136	69,821
Advances to staff	3,906	2,301	1,957	8,246
Total prepayments and other receivables	111,450	72,731	81,563	160,984
	718,340	699,110	893,864	674,824

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the fair value of trade and other receivables of TianDa, 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 90 days. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at December 31, 2014, 2015 and 2016 and September 30, 2017, was as follows:

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – gross				
– Within 90 days	496,147	222,014	533,074	442,777
– 91 to 180 days	49,116	105,409	63,518	46,314
– 181 to 360 days	53,276	264,343	191,655	23,231
– Over 360 days	47,584	79,074	70,073	44,938
	646,123	670,840	858,320	557,260

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. TianDa does not hold any collateral as security over these debtors.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of RMB496,147,000, RMB222,014,000, RMB533,074,000 and RMB442,777,000, respectively, were fully performing.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, no trade receivables were past due but not impaired.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, trade receivables of RMB149,976,000, RMB448,826,000, RMB325,246,000 and RMB114,483,000, respectively, were impaired. The amount of the provision was RMB39,233,000, RMB44,461,000, RMB46,019,000 and RMB43,420,000, 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – gross				
– Within 90 days	–	–	–	–
– 91 to 180 days	49,116	105,409	63,518	46,314
– 181 to 360 days	53,276	264,343	191,655	23,231
– Over 360 days	47,584	79,074	70,073	44,938
	149,976	448,826	325,246	114,483

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the carrying amounts of trade and other receivables excluding prepayments are denominated in the following currencies:

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	128,729	87,421	97,966	138,790
RMB	496,583	487,718	629,186	330,617
EUR	40,205	51,732	106,192	39,686
Others	3,987	43,044	22,384	95,910
	669,504	669,915	855,728	605,003

Movements on TianDa's provision for impairment of trade receivables are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At beginning of the year/period	29,115	39,233	44,461	44,461	46,019
Provision for/(write-back) of receivables impairment	10,118	5,228	8,147	(7,230)	62
Allowance utilised	–	–	(6,589)	(6,461)	(2,661)
At end of the year/period	39,233	44,461	46,019	30,770	43,420

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

23 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

The TianDa Group

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	37,414	18,064	25,324	53,404
Cash at CIMC Finance Company	116,516	55,944	99,298	122,901
	153,930	74,008	124,622	176,305
Less: Pledged bank deposits	–	(1,075)	(1,040)	(544)
Cash and cash equivalents	153,930	72,933	123,582	175,761

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 TianDa Group.

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

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	26,058	12,487	21,634	31,285
RMB	114,035	60,183	100,018	101,385
EUR	13,130	1,338	1,194	24,086
Others	707	–	1,776	19,549
	153,930	74,008	124,622	176,305

Bank balances carry interest ranging from 0% to 0.5% per annum.

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	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	15,826	11,344	19,646	21,761
Cash at CIMC Finance Company	28,393	3,870	29,852	77,407
	44,219	15,214	49,498	99,168
Less: Pledged bank deposits	–	(1,075)	(517)	(518)
Cash and cash equivalents	44,219	14,139	48,981	98,650

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

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	19,425	13,750	46,458	57,811
USD	11,562	568	624	15,338
EUR	12,525	721	640	23,356
Others	707	175	1,776	2,663
	44,219	15,214	49,498	99,168

24 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,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– to be recovered after more than 12 months	19,855	16,834	20,324	24,274
– to be recovered within 12 months	–	–	–	–
	19,855	16,834	20,324	24,274
Deferred tax liabilities:				
– to be recovered after more than 12 months	–	–	–	–
– to be recovered within 12 months	–	–	–	–
	–	–	–	–

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

	Year Ended December 31,			Nine months Ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At beginning of the year/period	12,658	19,855	16,834	16,834	20,324
Acquisition of subsidiary	–	–	–	–	56
Tax credit to profit or loss	7,197	1,557	3,490	2,757	3,894
Tax charge to other comprehensive income	–	(4,578)	–	–	–
At end of the year/period	19,855	16,834	20,324	19,591	24,274

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 asset**	**Other items**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2014	–	–	–	–	–
At December 31, 2014	–	–	–	–	–
Charged to other comprehensive income	4,578	–	–	–	4,578
At December 31, 2015	4,578	–	–	–	4,578
Charged to profit or loss	–	294	–	–	294
At December 31, 2016	4,578	294	–	–	4,872
Charged to profit or loss	(3)	154	(15)	(14)	122
Acquisition of subsidiary	17	–	589	89	695
At September 30, 2017	4,592	448	574	75	5,689

Deferred tax assets	**Impairment losses**	**Provisions**	**Allowances for doubtful debts**	**Derivatives**	**Tax losses**	**Employee benefits payables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2014	721	5,410	4,395	(456)	842	1,746	12,658
Credited/(charged) to profit or loss	(214)	2,647	1,573	428	(283)	3,046	7,197
At December 31, 2014	507	8,057	5,968	(28)	559	4,792	19,855
Credited/(charged) to profit or loss	–	1,322	799	333	43	(940)	1,557
At December 31, 2015	507	9,379	6,767	305	602	3,852	21,412
Credited/(charged) to profit or loss	–	27	2,571	(305)	1,492	(1)	3,784
At December 31, 2016	507	9,406	9,338	–	2,094	3,851	25,196
(Charged)/credited to profit or loss	(507)	(75)	(2,642)	–	8,276	(1,036)	4,016
Acquisition of subsidiary	–	–	–	–	751	–	751
At September 30, 2017	–	9,331	6,696	–	11,121	2,815	29,963

25 SHARE CAPITAL

The TianDa Group and TianDa	At December 31, 2014	At December 31, 2015	At December 31, 2016	At September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ordinary share, issued and fully paid:				
At beginning of the year/period	103,666	103,666	103,666	103,666
At end of the year/period	103,666	103,666	103,666	103,666

26 RESERVES

The TianDa Group	Other reserves					
	Surplus reserve	Capital reserve	Assets revaluation reserve	Sub-total	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2014	9,378	(14,692)	–	(5,314)	281,213	275,899
Profit for the year	–	–	–	–	86,358	86,358
At December 31, 2014	9,378	(14,692)	–	(5,314)	367,571	362,257
At January 1, 2015	9,378	(14,692)	–	(5,314)	367,571	362,257
Profit for the year	–	–	–	–	95,925	95,925
Fair value uplift at the date of transfer of property, plant and equipment and land use rights to investment properties	–	–	25,943	25,943	–	25,943
At December 31, 2015	9,378	(14,692)	25,943	20,629	463,496	484,125

The TianDa Group	Other reserves						
	Surplus reserve	Capital reserve	Other reserve	Assets revaluation reserve	Sub-total	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016	9,378	(14,692)	–	25,943	20,629	463,496	484,125
Profit for the year	–	–	–	–	–	128,541	128,541
At December 31, 2016	9,378	(14,692)	–	25,943	20,629	592,037	612,666
Unaudited:			–				
At January 1, 2016	9,378	(14,692)	–	25,943	20,629	463,496	484,125
Profit for the period	–	–	–	–	–	9,044	9,044
At September 30, 2016	9,378	(14,692)	–	25,943	20,629	472,540	493,169
At January 1, 2017	9,378	(14,692)	–	25,943	20,629	592,037	612,666
Loss for the period	–	–	–	–	–	(11,638)	(11,638)
Disposal of a subsidiary without loss of control *(Note b)*	–	–	4,869	–	4,869	–	4,869
At September 30, 2017	9,378	(14,692)	4,869	25,943	25,498	580,399	605,897

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 June 2017, the TianDa Group acquired Zhengzhou Jinte Logistics Automation System Co. Ltd. (Note 32). 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 RMB12,000,000 and its carrying amount of non-controlling interest acquired amounting to RMB7,131,000 at the date of acquisition was recognised in other reserve.

	Other reserves					
TianDa	Surplus reserve	Capital reserve	Assets revaluation reserve	Sub-total	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2014	9,378	(14,692)	–	(5,314)	279,504	274,190
Profit for the year	–	–	–	–	92,938	92,938
At December 31, 2014	9,378	(14,692)	–	(5,314)	372,442	367,128
At January 1, 2015	9,378	(14,692)	–	(5,314)	372,442	367,128
Profit for the year	–	–	–	–	94,723	94,723
Fair value uplift at the date of transfer of property, plant and equipment and land use rights to investment properties	–	–	25,943	25,943	–	25,943
At December 31, 2015	9,378	(14,692)	25,943	20,629	467,165	487,794
At January 1, 2016	9,378	(14,692)	25,943	20,629	467,165	487,794
Profit for the year	–	–	–	–	123,608	123,608
At December 31, 2016	9,378	(14,692)	25,943	20,629	590,773	611,402
At January 1, 2017	9,378	(14,692)	25,943	20,629	590,773	611,402
Profit for the period	–	–	–	–	16,681	16,681
At September 30, 2017	9,378	(14,692)	25,943	20,629	607,454	628,083

27 TRADE AND OTHER PAYABLES

The TianDa Group

	As at December 31,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
– Trade payables to third parties	244,927	236,398	318,710	274,944
– Trade payables to related parties (Note 33)	4,190	1,908	8,686	4,576
Total trade payables	249,117	238,306	327,396	279,520
– Amounts due to related parties (Note 33)	21,422	119,521	4,327	1,140
– Dividends payables (Note a)	70,093	70,827	71,697	72,596
– Staff salaries, bonuses and welfare payables	33,342	28,122	28,728	21,053
– Advances received	171,036	179,950	316,996	660,926
– Accruals and other payables	116,047	197,034	244,435	185,961
	661,057	833,760	993,579	1,221,196
Non-current				
– Advances received and other payables	–	11,389	12,630	13,588
– Amounts due to related parties (Note 33)	–	–	65,500	65,500
	–	11,389	78,130	79,088

Notes:

(a) The dividends payables represent TianDa unpaid dividends to 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. Amounts due to other related parties are unsecured, interest-free, and repayable on demand.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, all trade and other payables of the TianDa 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,			As at September 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 60 days	53,975	52,712	70,935	27,489
61 – 120 days	83,039	78,976	109,132	80,552
121 – 240 days	62,279	59,232	81,850	138,868
Over 240 days	49,824	47,386	65,479	32,611
	249,117	238,306	327,396	279,520

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

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	82,058	54,748	36,364	37,324
RMB	569,165	787,128	891,632	1,083,509
EUR	9,000	766	26,020	65,267
Others	834	2,507	117,693	114,184
	661,057	845,149	1,071,709	1,300,284

TianDa

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade payables to third parties	219,129	176,350	228,126	186,251
Trade payables to subsidiaries and related parties	13,925	22,584	71,454	48,311
Total trade payables	233,054	198,934	299,580	234,562
Amounts due to related parties	1,024	59,218	19,048	12,111
Staff salaries, bonuses and welfare payables	31,951	25,678	25,672	18,768
Dividends payables	70,093	70,827	71,697	71,108
Advanced received	158,331	166,088	267,421	502,061
Accruals and other payables	109,033	186,577	190,402	131,451
	603,486	707,322	873,820	970,061
Non-current				
– Advances received	–	11,389	12,630	10,978

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

As at December 31, 2014, 2015 and 2016 and September 30, 2017, all trade and other payables of TianDa 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,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 60 days	67,565	66,576	107,101	42,127
61 – 120 days	76,076	62,892	110,665	25,228
121 – 240 days	46,044	35,544	64,067	127,813
Over 240 days	43,369	33,922	17,747	39,394
	233,054	198,934	299,580	234,562

TianDa's trade and other payables are denominated in the following currencies:

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	82,966	54,748	35,544	43,189
RMB	509,858	661,736	818,562	860,592
EUR	9,988	766	26,020	46,541
Others	674	1,461	6,324	30,717
	603,486	718,711	886,450	981,039

28 BORROWINGS

The TianDa Group and TianDa

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Bank borrowings, unsecured	–	5,891	47,269	47,269
Current				
Loans from related parties, unsecured	95,000	23,000	10,000	40,000
Bank borrowings, unsecured	90,000	30,000	10,000	10,000
Total borrowings	185,000	58,891	67,269	97,269

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

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	%	%	%	%
Loans from related parties, unsecured	5.13%	5.57%	4.45%	5.00%
Bank borrowings, unsecured	5.19%	5.51%	5.23%	5.25%

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

(b) The TianDa 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, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	185,000	53,000	20,000	50,000
Between 1 and 5 years	–	5,891	47,269	47,269
	185,000	58,891	67,269	97,269

(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, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
6 months or less	95,000	–	10,000	40,000
6 – 12 months	90,000	53,000	10,000	10,000
1 – 5 years	–	5,891	47,269	47,269
	185,000	58,891	67,269	97,269

(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, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	185,000	58,891	67,269	97,269

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

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Floating rate:				
– Expiring within one year	–	54,108	12,731	12,731

29 PROVISIONS

The TianDa Group

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Warranties *(Note a)*	51,242	58,420	54,363	54,772
Contingent liability *(Note b)*	2,475	2,475	2,475	40
Guarantees for third parties	528	–	–	–
	54,245	60,895	56,838	54,812

	Warranties	Contingent liability	Guarantees for third parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2014	33,869	–	4,219	38,088
Provision made	28,584	2,475	–	31,059
Provision utilised	(3,847)	–	(3,691)	(7,538)
Provision reversed	(7,364)	–	–	(7,364)
At December 31, 2014	51,242	2,475	528	54,245
Provision made	26,455	–	–	26,455
Provision utilised	(8,917)	–	–	(8,917)
Provision reversed	(10,360)	–	(528)	(10,888)
At December 31, 2015	58,420	2,475	–	60,895
Provision made	19,836	–	–	19,836
Provision utilised	(8,143)	–	–	(8,143)
Provision reversed	(15,750)	–	–	(15,750)
At December 31, 2016	54,363	2,475	–	56,838
Provision made	8,680	–	–	8,680
Provision utilised	(4,243)	–	–	(4,243)
Provision reversed	(4,028)	(2,435)	–	(6,463)
At September 30, 2017	54,772	40	–	54,812

TianDa

	As at December 31,			As at September 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Warranties *(Note a)*	45,211	51,873	42,711	41,921
Contingent liability *(Note b)*	2,475	2,475	2,475	40
Guarantees for third parties	528	–	–	–
	48,214	54,348	45,186	41,961

	Warranties	Contingent liability	Guarantees for third parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2014	33,335	–	4,219	37,554
Provision made	22,654	2,475	–	25,129
Provision utilised	(3,506)	–	(3,691)	(7,197)
Provision reversed	(7,272)	–	–	(7,272)
At December 31, 2014	45,211	2,475	528	48,214
Provision made	23,595	–	–	23,595
Provision utilised	(7,320)	–	–	(7,320)
Provision reversed	(9,613)	–	(528)	(10,141)
At December 31, 2015	51,873	2,475	–	54,348
Provision made	13,664	–	–	13,664
Provision utilised	(7,594)	–	–	(7,594)
Provision reversed	(15,232)	–	–	(15,232)
At December 31, 2016	42,711	2,475	–	45,186
Provision made	6,327	–	–	6,327
Provision utilised	(3,369)	–	–	(3,369)
Provision reversed	(3,748)	(2,435)	–	(6,183)
At September 30, 2017	41,921	40	–	41,961

(a) Warranties

The TianDa Group and TianDa 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) Contingent liability

A contingent liability of RMB2,475,000 has been recognised for a pending lawsuit in which TianDa is a defendant and TianDa has launched counter-suits at meanwhile. The claim has arisen from a customer alleging defects on products supplied to them. The court reached a decision on this case on 9 September 2014 and the amount of all future payments that TianDa could be required to make is RMB2,475,000. For the sake of prudence, TianDa has recorded contingent liability of RMB2,475,000 as of 31 December 2014. There has been no change in the amount recognised for the liability at 31 December 2015 and 2016, as there has been no change in the probability of the outcome of the lawsuit. As at 19 May 2017, TianDa and the customer entered into a court mediation agreement to settle the lawsuit.

30 DEFERRED INCOME

The TianDa Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	40,765	43,022	50,748	69,682

TianDa	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	40,765	43,022	50,748	53,282

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.

31 COMMITMENTS

(a) Capital commitments – the TianDa Group and TianDa

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

	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction of new factory premises				
– Approved by directors and contracted for	100,846	110,451	35,000	–
– Approved by directors and not contracted for	385,722	138,341	78,990	70,842
	486,568	248,792	113,990	70,842

(b) Operating lease commitments – the TianDa Group and TianDa as lessee

The TianDa Group and TianDa 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:

The TianDa Group	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	4,015	4,398	3,016	5,587
Later than 1 year and no later than 5 years	8,840	7,354	6,590	11,380
Later than 5 years	9,139	8,338	6,453	5,376
	21,994	20,090	16,059	22,343

TianDa	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	4,015	4,398	3,016	5,547
Later than 1 year and no later than 5 years	8,840	7,354	6,590	11,380
Later than 5 years	9,139	8,338	6,453	5,376
	21,994	20,090	16,059	22,303

(c) Operating leases rental receivables – the TianDa Group and TianDa as lessor

The TianDa Group and TianDa 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:

The TianDa Group and TianDa	As at December 31, 2014	2015	2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1year	–	10,288	10,288	11,702
Later than 1 year and no later than 5 years	–	42,538	42,538	39,632
Later than 5 years	–	49,940	39,404	29,926
	–	102,766	92,230	81,260

32 ACQUISITION

(i) 2017 Acquisition

In June 2017, the TianDa Group, 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;

(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; and

(3) Contingent consideration of higher of RMB3,000,000 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. 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
	RMB'000
Cash paid	5,000
8.03% equity interest of Kunshan CIMC Automation Equipment	12,000
Present value of contingent consideration *(Note (e))*	2,610
Total purchase consideration	19,610

(b) Identifiable assets acquired and liabilities assumed of the TianDa Group:

	June 2017
	At fair value
	RMB'000
Cash and cash equivalents	514
Trade and other receivables	444
Inventories	7,601
Property, plant and equipment	192
Intangible assets	6,880
Deferred income tax assets	751
	16,382
Trade and other payables	(9,091)
Tax payable	(630)
Deferred income tax liabilities	(695)
	(10,416)
Total identifiable net assets	5,966
Add:	
Goodwill	13,644
Total purchase consideration	19,610

(c) Effect on cash flows of the TianDa Group

	RMB'000
Cash paid (as above)	5,000
Less: Cash and cash equivalents in subsidiary acquired	(514)
Cash outflow on acquisition	4,486

(d) Acquisition related cost

Acquisition related cost of RMB15,000 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 TianDa Group would be RMB3,000,000 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 RMB2,610,000 as at 30 September 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 30 September 2017.

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

(g) Revenue and profit contribution

Jinte contributed revenue of RMB1,800,000 and net loss of RMB1,676,000 to the TianDa Group for the period from 1 July 2017 to 30 September 2017.

Had Jinte been consolidated from 1 January 2017, consolidated revenue and consolidated loss for the financial period ended 30 September 2017 would have been RMB414,748,000 and RMB13,300,000 respectively.

33 RELATED-PARTY TRANSACTIONS

TianDa's immediate holding company is Pteris Global Limited, incorporated in Singapore. The ultimate holding company is CIMC Group 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 TianDa Group and its related parties in the ordinary course of business during the years ended December 31, 2014, 2015 and 2016 and period ended September 30, 2017 and balances arising from related party transactions as at December 31, 2014, 2015 and 2016 and September 30, 2017.

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

Name of entities	**Relationship with the TianDa Group**
Pteris Global (Beijing) Ltd.	Fellow subsidiary
Pteris Global (Suzhou) Ltd.	Fellow subsidiary
Ziegler Fire & Rescue Vehicle Sales & Service (Beijing) Co., Ltd.	Fellow subsidiary
CIMC Vehicles (Shandong) Co., Ltd.	Fellow subsidiary
CIMC Air Marrel SAS	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 Finance Company Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Containers Services Co., Ltd.	Fellow subsidiary
China International Marine Containers (Hong Kong) Co., Ltd.	Fellow subsidiary
Pteris Global USA Ltd.	Fellow subsidiary
CIMC Ziegler (Germany)	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

Name of entities	Relationship with the TianDa Group
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
Beijing Bowei Airport Support Co., Ltd.	A minority shareholder of a subsidiary
Shenzhen TGM Ltd.	A minority shareholder of the immediate holding company
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,			Nine months Ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(i) Sales of goods and/or services to					
– Fellow subsidiaries	19,455	43,395	23,919	5,771	11,534
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	–	18,114	–	–
	19,455	43,395	42,033	5,771	11,534
(ii) Purchase of goods and/or services					
– Ultimate holding company	–	–	545	–	–
– Fellow subsidiaries	10,758	92,269	31,192	15,585	12,910
	10,758	92,269	31,737	15,585	12,910
(iii) Interest expense					
– Ultimate holding company	1,567	2,399	2,721	2,205	1,548
– Fellow subsidiaries	3,436	5,993	2,274	2,126	768
	5,003	8,392	4,995	4,331	2,316
(iv) Lease expense					
– Fellow subsidiaries	5,348	529	4	–	1
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	1,583	1,696	1,696	1,272	1,211
	6,931	2,225	1,700	1,272	1,212

	Year Ended December 31,			Nine months Ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(v) Interest income					
– Fellow subsidiaries	1,142	858	728	635	480
(vi) Key management compensation					
– Salaries, wages and bonuses	2,125	3,886	4,014	3,468	2,583
– Pension, housing fund, medical insurance and other social	68	269	282	212	439
	2,193	4,155	4,296	3,680	3,022
(vii) Related party loan					
– Borrowing					
– Ultimate holding company	110,000	45,500	65,500	65,500	–
– Fellow subsidiaries	140,000	285,181	130,000	130,000	65,000
	250,000	330,681	195,500	195,500	65,000
– Repayment					
– Ultimate holding company	(112,000)	–	(65,500)	(65,500)	–
– Fellow subsidiaries	(128,353)	(298,476)	(200,935)	(186,337)	(35,000)
	(240,353)	(298,476)	(266,435)	(251,837)	(35,000)
– Loan to related parties					
– Fellow subsidiaries	–	–	(10,000)	(10,000)	–
(viii) Salary expense recharged to related parties					
– A fellow subsidiary	–	–	–	–	2,169

Outstanding balances at each statement of financial position date, arising from sale/purchase of goods and services, and terms are disclosed in Notes 22 and 27 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 TianDa, these transactions are in the ordinary course of business of the TianDa 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, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(i) Trade and other receivables:				
– Fellow subsidiaries	10,543	28,474	30,861	44,366
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	–	4,180	4,627
– An associate of ultimate holding company	–	–	378	–
	10,543	28,474	35,419	48,993

Amounts due to related parties:

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at September 30, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(i) Trade and other payables:				
– Ultimate holding company	20,316	65,692	66,238	65,722
– Fellow subsidiaries	5,296	55,737	12,275	4,976
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	–	–	–	518
	25,612	121,429	78,513	71,216

34 CONTINGENT LIABILITIES

During the Relevant Periods, there were no significant contingent liabilities assumed by the TianDa Group.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by TianDa or any of its subsidiaries in respect of any period subsequent to 30 September 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by TianDa or any of its subsidiaries in respect of any period subsequent to 30 September 2017.

Introduction

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the Unaudited Pro Forma Financial Information of the Enlarged Group

On 4 December 2017, China Fire Safety Enterprise Group Limited ("CFE" or the "Company") and its wholly owned subsidiary (collectively referred to as the "Group"), entered into sale and purchase agreement with Sharp Vision Holdings Limited ("Sharp Vision"), an indirect wholly-owned subsidiary of China International Marine Containers (Group) Co., Ltd. ("CIMC") and Fengqiang Holdings Limited ("Fengqiang"), pursuant to which CFE has conditionally agreed to acquire and Sharp Vision and Fengqiang (the "Pteris Vendors") have conditionally agreed to sell, approximately 99.41% of the issued share capital of Pteris Global Limited ("Pteris") (the "Proposed Pteris Acquisition"). The Group immediately after the completion of the Proposed Pteris Acquisition is referred to as the "Enlarged Group". Pteris Global Limited and its subsidiaries are collectively referred to as the "Target Group".

On 4 December 2017, the Group, entered into sale and purchase agreement with Lucky Rich Holdings Limited ("Lucky Rich" or the "TianDa Vendor"), pursuant to which CFE has conditionally agreed to acquire and Lucky Rich has conditionally agreed to sell, 30% of the equity interest of Shenzhen CIMC-TianDa Airport Support Ltd. ("TianDa"), a 70% subsidiary of Pteris (the "Proposed TianDa Acquisition").

Upon satisfaction or waiver (as applicable) of the conditions precedents for the Proposed Pteris Acquisition and the Proposed TianDa Acquisition, it is expected that the completions of the Proposed Pteris Acquisition and the Proposed TianDa Acquisition will take place on or around the same time. If the conditions precedents for Proposed Pteris Acquisition are satisfied (or waived, as applicable) but the conditions precedent for the Proposed TianDa Acquisition are not satisfied (or waived, as applicable), the Proposed Pteris Acquisition will proceed and the Proposed TianDa Acquisition will not proceed.

The Proposed Pteris Acquisition and Proposed TianDa Acquisition are considered as two independent transactions and are not linked on the basis that (i) the aggregate considerations to be paid to the Pteris Vendors are the same as illustrated in the scenarios below, and (ii) the Proposed Pteris Acquisition will proceed irrespective of whether the Proposed TianDa Acquisition will proceed.

On the basis that the Proposed Pteris Acquisition (but not the Proposed TianDa Acquisition) had taken place on 30 September 2017 ("Scenario I"), CFE shall issue 7,470,108,040 consideration shares and convertible bonds in the aggregate principal amount of RMB1,482,580,105 to the Pteris Vendors to settle consideration of RMB3,806,530,716 for the Proposed Pteris Acquisition, or on the basis that the Proposed Pteris Acquisition and the Proposed TianDa Acquisition had taken place ("Scenario II"), CFE shall issue 6,455,428,570 consideration shares and convertible bonds in the aggregate principal amount of RMB1,798,246,888 to the Pteris Vendors and 1,014,679,470 consideration shares and convertible bonds in the principal amount of RMB294,886,806 to the TianDa Vendors to settle the consideration of RMB3,806,530,716 and RMB610,553,589 for the Propose Pteris Acquisition and the Proposed TianDa Acquisition respectively. Consequently, in Scenario I, Sharp Vision will hold 59% equity interest of CFE on 30 September 2017 upon completion of the Proposed Pteris Acquisition, or in Scenario II Sharp Vision will hold 52.6% equity interest of CFE on 30 September 2017 after the Proposed Pteris Acquisition and the Proposed TianDa Acquisition had taken place, assuming all the convertible bonds have been fully converted.

The reverse acquisition accounting method is adopted for the preparation of the unaudited pro forma financial information under which Pteris is regarded as the acquirer and CFE is regarded as the acquiree, as Sharp Vision will become in Scenario I 59% shareholder of CFE after the Proposed Pteris Acquisition, or in Scenario II Sharp Vision will become 52.6% shareholder of CFE after the Proposed Pteris Acquisition and the Proposed TianDa Acquisition. The directors of the Company consider that such basis is appropriate and reflects the accounting treatment to be adopted upon completion of the Proposed Pteris Acquisition and the Proposed TianDa Acquisition while providing the most relevant information to the shareholders of the Company.

On 6 February 2018, the Company entered into a subscription agreement with 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)) (the "Subscriber"), a limited partnership established in the PRC, pursuant to which the Subscriber conditionally agreed to subscribe for (by cash), and the Company has conditionally agreed to allot and issue 673,225,000 shares of the Company at a subscription price of HKD0.366 each (the "Subscription"). The completion of the Placing is conditional upon, amongst others, the completion of the Proposed Pteris Acquisition.

The accompanying unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of, in Scenario I, the Proposed Pteris Acquisition and the Subscription, or in Scenario II the Proposed Pteris Acquisition, the Proposed TianDa Acquisition and the Subscription might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2017 is prepared based on the audited consolidated statement of financial position of the Group as at 30 September 2017 as extracted from the financial information of the Company as at 30 September 2017 set out in Appendix II to this circular, and the audited consolidated statement of financial position of Pteris and its subsidiaries (the "Pteris Group") as at 30 September 2017 as extracted from the accountants' report set out in Appendix III(A) to this circular as if, in Scenario I the Pteris Acquisition and the Subscription had been completed on 30 September 2017, and in Scenario II the Proposed Pteris Acquisition, the Proposed Tianda Acquisition and the Subscription had been completed on 30 September 2017.

The unaudited pro forma consolidated profit or loss and other comprehensive income and consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2016 are prepared based on the audited consolidated profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016 and the audited consolidated profit or loss and other comprehensive income and consolidated statement of cash flows of Pteris Group for the year ended 31 December 2016 as extracted from the accountants' report set out in Appendix III(A) to this circular as if in Scenario I the Proposed Pteris Acquisition and the Subscription had been completed on 1 January 2016, and in Scenario II the Proposed Pteris Acquisition, the Proposed TianDa Acquisition and the Subscription had been completed on 1 January 2016. The Subscription has no effect on the unaudited pro forma consolidated profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2016.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Proposed Pteris Acquisition and the Subscription in Scenario I or the Proposed Pteris Acquisition, the Proposed TianDa Acquisition and the Subscription in Scenario II had actually occurred on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and the financial information of Pteris as set out in Appendix II and Appendix III(A) respectively to this circular and other financial information included elsewhere in this circular.

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2017

SCENARIO I: The Proposed Pteris Acquisition and the Subscription had taken place

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*		*(Note 4, 4(a))*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Non-current assets										
Property, plant and equipment	177,079	537,093	714,172	7,060				721,232		721,232
Prepaid land lease payments	31,959	67,676	99,635	12,018				111,653		111,653
Goodwill	7,630	–	7,630	(7,630)				27,667		27,667
				27,667						
Investment properties	–	246,249	246,249					246,249		246,249
Intangible assets *(Note 8)*	–	230,394	230,394	25,577				255,971		255,971
Investment in an associate	568,182	–	568,182					568,182		568,182
Deferred income tax assets	–	31,054	31,054					31,054		31,054
	784,850	1,112,466	1,897,316					1,962,008		1,962,008
Current assets										
Inventories	146,111	630,109	776,220	20,431				796,651		796,651
Amounts due from contract customers	–	117,217	117,217					117,217		117,217
Trade and bills receivables	247,167	678,721	925,888					925,888		925,888
Prepayments, deposits and other receivables	92,474	275,175	367,649					367,649		367,649
Prepaid land lease payments	794	–	794	299				1,093		1,093
Other current asset	8,500	–	8,500					8,500		8,500
Pledged bank deposits	6,675	543	7,218					7,218		7,218
Bank and cash balances	65,497	311,278	376,775					376,775	207,282	584,057
	567,218	2,013,043	2,580,261					2,600,991		2,808,273

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*		*(Note 4, 4(a))*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Current liabilities										
Amounts due to contract customers	–	46,723	46,723					46,723		46,723
Trade and other payables	224,199	1,338,070	1,562,269				19,000	1,581,269		1,581,269
Bank borrowings	–	102,350	102,350					102,350		102,350
Provisions	16,224	85,889	102,113					102,113		102,113
Current tax liabilities	500	2,529	3,029					3,029		3,029
	240,923	1,575,561	1,816,484					1,835,484		1,835,484
Net current assets	326,295	437,482	763,777					765,507		972,789
Total assets less current liabilities	1,111,145	1,549,948	2,661,093					2,727,515		2,934,797
Non-current liabilities										
Trade and other payables	–	80,478	80,478					80,478		80,478
Interest-bearing bank and other borrowings	–	47,222	47,222					47,222		47,222
Convertible bonds	–	–	–		83,330			83,330		83,330
Deferred tax liabilities	–	8,316	8,316	16,346				24,662		24,662
Deferred revenue	–	73,933	73,933					73,933		73,933
	–	209,949	209,949					309,625		309,625
NET ASSETS	1,111,145	1,339,999	2,451,144					2,417,890		2,625,172

	The Group RMB'000 (Note 1)	The Target Group RMB'000 (Note 3)	Sub-total RMB'000	Pro forma adjustments RMB'000 (Note 4, 4(a))	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000 (Note 7)	The Enlarged Group (before the Subscription) RMB'000	Pro forma adjustment RMB'000 (Note 9)	The Enlarged Group (after the Subscription) RMB'000
Equity attributable to equity holders of the Company										
Issued capital	39,977	502,896	542,873	(39,977)		(3,017)		499,879	5,726	505,605
Issued capital – Reverse acquisition	–	–	–	1,180,221				1,180,221		1,180,221
Share premium	1,037,907	–	1,037,907	(1,037,907)				–	201,556	201,556
Convertible bonds	–	–	–		1,842,859			1,842,859		1,842,859
Distribution reserve – convertible bonds	–	–	–		(1,926,189)			(1,926,189)		(1,926,189)
Other reserves	153,806	134,593	288,399	(153,806)				134,593		134,593
Reverse acquisition reserve	–	–	–			(3,540)		(3,540)		(3,540)
(Accumulated losses)/ retained profits	(120,545)	455,464	334,919	120,545			(19,000)	436,464		436,464
Non-controlling interest	–	247,046	247,046			6,557		253,603		253,603
TOTAL EQUITY	1,111,145	1,339,999	2,451,144					2,417,890		2,625,172

SCENARIO II: The Proposed Pteris Acquisition, the Proposed TianDa Acquisition and the Subscription had taken place

	The Group	**The Target Group**	**Sub-total**	**Pro forma adjustments**				**The Enlarged Group (before the Subscription)**	**Pro forma adjustment**	**The Enlarged Group (after the Subscription)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*		*(Note 4, 4(a))*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Non-current assets										
Property, plant and equipment	177,079	537,093	714,172	7,060				721,232		721,232
Prepaid land lease payments	31,959	67,676	99,635	12,018				111,653		111,653
Goodwill	7,630	–	7,630	(7,630)				27,667		27,667
				27,667						
Investment properties	–	246,249	246,249					246,249		246,249
Intangible assets *(Note 8)*	–	230,394	230,394	25,577				255,971		255,971
Investment in an associate	568,182	–	568,182					568,182		568,182
Deferred income tax assets	–	31,054	31,054					31,054		31,054
	784,850	1,112,466	1,897,316					1,962,008		1,962,008
Current assets										
Inventories	146,111	630,109	776,220	20,431				796,651		796,651
Amounts due from contract customers	–	117,217	117,217					117,217		117,217
Trade and bills receivables	247,167	678,721	925,888					925,888		925,888
Prepayments, deposits and other receivables	92,474	275,175	367,649					367,649		367,649
Prepaid land lease payments	794	–	794	299				1,093		1,093
Other current asset	8,500	–	8,500					8,500		8,500
Pledged bank deposits	6,675	543	7,218					7,218		7,218
Bank and cash balances	65,497	311,278	376,775					376,775	207,282	584,057
	567,218	2,013,043	2,580,261					2,600,991		2,808,273

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*		*(Note 4, 4(a))*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Current liabilities										
Amounts due to contract customers	–	46,723	46,723					46,723		46,723
Trade and other payables	224,199	1,338,070	1,562,269				19,000	1,581,269		1,581,269
Bank borrowings	–	102,350	102,350					102,350		102,350
Provisions	16,224	85,889	102,113					102,113		102,113
Current tax liabilities	500	2,529	3,029					3,029		3,029
	240,923	1,575,561	1,816,484					1,835,484		1,835,484
Net current assets	326,295	437,482	763,777					765,507		972,789
Total assets less current liabilities	1,111,145	1,549,948	2,661,093					2,727,515		2,934,797
Non-current liabilities										
Trade and other payables	–	80,478	80,478					80,478		80,478
Interest-bearing bank and other borrowings	–	47,222	47,222					47,222		47,222
Convertible bonds	–	–	–		117,647			117,647		117,647
Deferred tax liabilities	–	8,316	8,316	16,346				24,662		24,662
Deferred revenue	–	73,933	73,933					73,933		73,933
	–	209,949	209,949					343,942		343,942
NET ASSETS	1,111,145	1,339,999	2,451,144					2,383,573		2,590,855

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*		*(Note 4, 4(a))*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Equity attributable to equity holders of the Company										
Issued capital	39,977	502,896	542,873	(39,977)		(3,017)		499,879	5,726	505,605
Issued capital – Reverse acquisition	–	–	–	1,180,221				1,180,221		1,180,221
Share premium	1,037,907	–	1,037,907	(1,037,907)				–	201,556	201,556
Convertible bonds	–	–	–		2,601,783			2,601,783		2,601,783
Distribution reserve – convertible bonds	–	–	–		(2,719,430)			(2,719,430)		(2,719,430)
Other reserves	153,806	134,593	288,399	(153,806)				134,593		134,593
Reverse acquisition reserve	–	–	–			(3,540)		(3,540)		(3,540)
(Accumulated losses)/ retained profits	(120,545)	455,464	334,919	120,545		247,046	(19,000)	683,510		683,510
Non-controlling interest	–	247,046	247,046			(247,046)		6,557		6,557
						6,557				
TOTAL EQUITY	1,111,145	1,339,999	2,451,144					2,383,573		2,590,855

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

SCENARIO I: The Proposed Pteris Acquisition and the Subscription had taken place

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Revenue	471,252	1,526,759	1,998,011					1,998,011
Cost of sales	(363,991)	(1,171,195)	(1,535,186)					(1,535,186)
Gross profit	107,261	355,564	462,825					462,825
Other income	6,047	91,351	97,398					97,398
Selling and distribution costs	(14,779)	(59,712)	(74,491)					(74,491)
Administrative expenses	(58,914)	(248,170)	(307,084)	(12,789)			(19,000)	(338,873)
Profit from operations	39,615	139,033	178,648					146,859
Finance costs	(1,400)	(7,117)	(8,517)		(8,921)			(17,438)
Other expenses	(16,224)	–	(16,224)					(16,224)
Share of profit of an associate	2,881	–	2,881					2,881
Profit before tax	24,872	131,916	156,788					116,078
Income tax expenses	(7,586)	(19,835)	(27,421)	3,197				(24,224)
Profit for the year	17,286	112,081	129,367					91,854

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Other comprehensive income, net of tax								
Items that may be reclassified to profit or loss:								
Exchange differences on translating foreign operations	20,403	(31,706)	(11,303)					(11,303)
Share of other comprehensive income of an associate	164	–	164					164
Other comprehensive income for the year, net of tax	20,567	(31,706)	(11,139)					(11,139)
Total comprehensive income	37,853	80,375	118,228					80,715
Profit for the year attributable to:								
Owners of the Company	17,286	71,703	88,989	(9,592)	(8,921)	(430)	(19,000)	51,046
Non-controlling interests	–	40,378	40,378			430		40,808
	17,286	112,081	129,367					91,854
Total comprehensive income for the year attributable to:								
Owners of the Company	37,853	47,442	85,295	(9,592)	(8,921)	(285)	(19,000)	47,497
Non-controlling interests	–	32,933	32,933			285		33,218
	37,853	80,375	118,228					80,715

SCENARIO II: The Proposed Pteris Acquisition, the Proposed TianDa Acquisition and the Subscription had taken place

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Revenue	471,252	1,526,759	1,998,011					1,998,011
Cost of sales	(363,991)	(1,171,195)	(1,535,186)					(1,535,186)
Gross profit	107,261	355,564	462,825					462,825
Other income	6,047	91,351	97,398					97,398
Selling and distribution costs	(14,779)	(59,712)	(74,491)					(74,491)
Administrative expenses	(58,914)	(248,170)	(307,084)	(12,789)			(19,000)	(338,873)
Profit from operations	39,615	139,033	178,648					146,859
Finance costs	(1,400)	(7,117)	(8,517)		(12,595)			(21,112)
Other expenses	(16,224)	–	(16,224)					(16,224)
Share of profit of an associate	2,881	–	2,881					2,881
Profit before tax	24,872	131,916	156,788					112,404
Income tax expenses	(7,586)	(19,835)	(27,421)	3,197				(24,224)
Profit for the year	17,286	112,081	129,367					88,180

	The Group RMB'000 (Note 2)	The Target Group RMB'000 (Note 3)	Sub-total RMB'000	Pro forma adjustments RMB'000 (Note 4)	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000 (Note 7)	The Enlarged Group RMB'000
Other comprehensive income, net of tax								
Items that may be reclassified to profit or loss:								
Exchange differences on translating foreign operations	20,403	(31,706)	(11,303)					(11,303)
Share of other comprehensive income of an associate	164	–	164					164
Other comprehensive income for the year, net of tax	20,567	(31,706)	(11,139)					(11,139)
Total comprehensive income	37,853	80,375	118,228					77,041
Profit for the year attributable to:								
Owners of the Company	17,286	71,703	88,989	(9,592)	(12,595)	40,379	(19,000)	87,751
						(430)		
Non-controlling interests	–	40,378	40,378			(40,379)		429
						430		
	17,286	112,081	129,367					88,180
Total comprehensive income for the year attributable to:								
Owners of the Company	37,853	47,442	85,295	(9,592)	(12,595)	32,934	(19,000)	76,757
						(285)		
Non-controlling interests	–	32,933	32,933			(32,934)		284
						285		
	37,853	80,375	118,228					77,041

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

SCENARIO I: The Proposed Pteris Acquisition and the Subscription had taken place

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
CASH FLOWS FROM OPERATING ACTIVITIES										
Profit before tax	24,872	131,916	156,788	(12,789)	(8,921)		(19,000)	116,078		116,078
Adjustments for:										
Amortisation of prepaid land lease payments	794	–	794					794		794
Amortisation of intangible assets	–	–	–	12,789				12,789		12,789
Depreciation of property, plant and equipment	10,804	37,365	48,169					48,169		48,169
Dividend income	–	(38)	(38)					(38)		(38)
Impairment loss for bad and doubtful debts	339	–	339					339		339
Provision for a legal claim	16,224	–	16,224					16,224		16,224
Finance costs	1,400	7,045	8,445		8,921			17,366		17,366
Interest income	(2,752)	(1,521)	(4,273)					(4,273)		(4,273)
Gain on disposal of asset held for sales	–	(15,788)	(15,788)					(15,788)		(15,788)
Gain on disposal of other non-current assets	–	(7,892)	(7,892)					(7,892)		(7,892)
Gain on fair value of investment properties	–	(4,836)	(4,836)					(4,836)		(4,836)
Loss on change in fair value of other financial assets	–	1,150	1,150					1,150		1,150
Loss/(gain) on disposal of property, plant and equipment	50	(438)	(388)					(388)		(388)
Loss on issuance of deferred shares	–	33,501	33,501					33,501		33,501
Share-based payments	8,559	–	8,559					8,559		8,559
Share of profit of an associate	(2,881)	–	(2,881)					(2,881)		(2,881)

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Operating profit before working capital changes	57,409	180,464	237,873					218,873		218,873
Increase in inventories	(1,517)	(114,367)	(115,884)					(115,884)		(115,884)
Decrease/(increase) in trade and bills receivables	64,359	(93,310)	(28,951)					(28,951)		(28,951)
Increase in prepayments, deposits and other receivables	(19,911)	–	(19,911)					(19,911)		(19,911)
(Decrease)/increase in trade and other payables	(38,788)	277,109	238,321				19,000	257,321		257,321
Cash generated from operations	61,552	249,896	311,448					311,448		311,448
Interest paid	(1,400)	(7,512)	(8,912)					(8,912)		(8,912)
Income tax paid	(8,001)	(20,408)	(28,409)					(28,409)		(28,409)
Net cash generated from operating activities	52,151	221,976	274,127					274,127		274,127
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchases of property, plant and equipment	(2,045)	(80,298)	(82,343)					(82,343)		(82,343)
Decrease in pledged bank deposits	7,456	–	7,456					7,456		7,456
Interest received	2,752	2,286	5,038					5,038		5,038
Dividend received	–	38	38					38		38
Advance to an associate	(2,875)	–	(2,875)					(2,875)		(2,875)
Proceeds from disposal of property, plant and equipment	78	746	824					824		824
Proceeds form sale of other non-current assets	–	7,940	7,940					7,940		7,940
Proceeds form sales of assets held for sale	–	31,273	31,273					31,273		31,273
Net cash generated from/(used in) investing activities	5,366	(38,015)	(32,649)					(32,649)		(32,649)

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000 *(Note 2)*	*RMB'000* *(Note 3)*	*RMB'000*	*RMB'000* *(Note 4)*	*RMB'000* *(Note 5)*	*RMB'000* *(Note 6)*	*RMB'000* *(Note 7)*	*RMB'000*	*RMB'000* *(Note 9)*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES										
Decrease in cash pledged for financing	–	10,644	10,644					10,644		10,644
Dividend paid	–	(18,545)	(18,545)					(18,545)		(18,545)
New bank loans raised	20,000	67,498	87,498					87,498		87,498
Repayment of bank loans	(50,000)	(48,673)	(98,673)					(98,673)		(98,673)
Proceeds of borrowings from related companies	–	186,494	186,494					186,494		186,494
Repayment of borrowings to related companies	–	(267,832)	(267,832)					(267,832)		(267,832)
Proceeds from issue of shares	–	–	–					–	207,282	207,282
Net cash (used in)/generated from financing activities	(30,000)	(70,414)	(100,414)					(100,414)		106,868
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,517	113,547	141,064					141,064		348,346
Effect of foreign exchange rate changes	–	5,409	5,409					5,409		5,409
CASH AND CASH EQUIVALENTS AT 1 JANUARY	105,059	144,162	249,221					249,221		249,221
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	132,576	263,118	395,694					395,694		602,976
ANALYSIS OF CASH AND CASH EQUIVALENTS										
Bank and cash balances	132,576	263,118	395,694					395,694		602,976

SCENARIO II: The Proposed Pteris Acquisition, the Proposed TianDa Acquisition and the Subscription had taken place

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
CASH FLOWS FROM OPERATING ACTIVITIES										
Profit before tax	24,872	131,916	156,788	(12,789)	(12,595)		(19,000)	112,404		112,404
Adjustments for:										
Amortisation of prepaid land lease payments	794	–	794					794		794
Amortisation of intangible assets	–	–	–	12,789				12,789		12,789
Depreciation of property, plant and equipment	10,804	37,365	48,169					48,169		48,169
Dividend income	–	(38)	(38)					(38)		(38)
Impairment loss for bad and doubtful debts	339	–	339					339		339
Provision for a legal claim	16,224	–	16,224					16,224		16,224
Finance costs	1,400	7,045	8,445		12,595			21,040		21,040
Interest income	(2,752)	(1,521)	(4,273)					(4,273)		(4,273)
Gain on disposal of asset held for sales	–	(15,788)	(15,788)					(15,788)		(15,788)
Gain on disposal of other non-current assets	–	(7,892)	(7,892)					(7,892)		(7,892)
Gain on fair value of investment properties	–	(4,836)	(4,836)					(4,836)		(4,836)
Loss on change in fair value of other financial assets	–	1,150	1,150					1,150		1,150
Loss/(gain) on disposal of property, plant and equipment	50	(438)	(388)					(388)		(388)
Loss on issuance of deferred shares	–	33,501	33,501					33,501		33,501
Share-based payments	8,559	–	8,559					8,559		8,559
Share of profit of an associate	(2,881)	–	(2,881)					(2,881)		(2,881)

	The Group	The Target Group	Sub-total		Pro forma adjustments			The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
Operating profit before working capital changes	57,409	180,464	237,873					218,873		218,873
Increase in inventories	(1,517)	(114,367)	(115,884)					(115,884)		(115,884)
Decrease/(increase) in trade and bills receivables	64,359	(93,310)	(28,951)					(28,951)		(28,951)
Increase in prepayments, deposits and other receivables	(19,911)	–	(19,911)					(19,911)		(19,911)
(Decrease)/increase in trade and other payables	(38,788)	277,109	238,321				19,000	257,321		257,321
Cash generated from operations	61,552	249,896	311,448					311,448		311,448
Interest paid	(1,400)	(7,512)	(8,912)					(8,912)		(8,912)
Income tax paid	(8,001)	(20,408)	(28,409)					(28,409)		(28,409)
Net cash generated from operating activities	52,151	221,976	274,127					274,127		274,127
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchases of property, plant and equipment	(2,045)	(80,298)	(82,343)					(82,343)		(82,343)
Decrease in pledged bank deposits	7,456	–	7,456					7,456		7,456
Interest received	2,752	2,286	5,038					5,038		5,038
Dividend received	–	38	38					38		38
Advance to an associate	(2,875)	–	(2,875)					(2,875)		(2,875)
Proceeds from disposal of property, plant and equipment	78	746	824					824		824
Proceeds form sale of other non-current assets	–	7,940	7,940					7,940		7,940
Proceeds form sales of assets held for sale	–	31,273	31,273					31,273		31,273
Net cash generated from/(used in) investing activities	5,366	(38,015)	(32,649)					(32,649)		(32,649)

	The Group	The Target Group	Sub-total	Pro forma adjustments				The Enlarged Group (before the Subscription)	Pro forma adjustment	The Enlarged Group (after the Subscription)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*		*(Note 9)*	
CASH FLOWS FROM FINANCING ACTIVITIES										
Decrease in cash pledged for financing	–	10,644	10,644					10,644		10,644
Dividend paid	–	(18,545)	(18,545)					(18,545)		(18,545)
New bank loans raised	20,000	67,498	87,498					87,498		87,498
Repayment of bank loans	(50,000)	(48,673)	(98,673)					(98,673)		(98,673)
Proceeds of borrowings from related companies	–	186,494	186,494					186,494		186,494
Repayment of borrowings to related companies	–	(267,832)	(267,832)					(267,832)		(267,832)
Proceeds from issue of shares	–	–	–					–	207,282	207,282
Net cash (used in)/generated from financing activities	(30,000)	(70,414)	(100,414)					(100,414)		106,868
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,517	113,547	141,064					141,064		348,346
Effect of foreign exchange rate changes	–	5,409	5,409					5,409		5,409
CASH AND CASH EQUIVALENTS AT 1 JANUARY	105,059	144,162	249,221					249,221		249,221
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	132,576	263,118	395,694					395,694		602,976
ANALYSIS OF CASH AND CASH EQUIVALENTS										
Bank and cash balances	132,576	263,118	395,694					395,694		602,976

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 30 September 2017, without adjustment, as set out in the financial information of the Company as at 30 September 2017 in Appendix II to this circular.

2. The amounts are extracted from the audited financial statements of the Group for year ended 31 December 2016 as set out in the annual report of the Company.

3. The amounts are extracted from the Accountant's Report on Pteris Group as set out in Appendix III(A) to this circular. For the purpose of presenting the unaudited pro forma financial information, the exchange rate of SGD1 to RMB4.892 has been used to translate the amounts in the consolidated statement of financial position of the Pteris Group as at 30 September 2017 into RMB, and the average exchange rate of SGD1 to RMB4.812 has been used to translate the results and cash flows of the Pteris Group for the year ended 31 December 2016 into RMB, respectively.

4. The pro forma adjustments represent:

   (i) fair value adjustments on identifiable assets and liabilities of the Group as at 30 September 2017;

   (ii) recognition of goodwill arising from the reverse acquisition;

   (iii) the elimination of the issued share capital of the Company such that the resultant issued share capital of the Enlarged Group amounting to RMB499,879,000 represents the issued capital of Pteris less share capital of 0.6% non-controlling interest upon completion of Scenario I or Scenario II;

   (iv) adjustments to eliminate reserves of the Company upon reverse acquisition;

   (v) deferred taxation arising from the fair value adjustments.

   (vi) amortisation of intangible assets – customer relationships for statement of profit or loss, the adjustment has a continuing effect to the Enlarged Group.

   As described earlier in the introductory paragraphs, the reverse acquisition accounting method is adopted for the preparation of the unaudited pro forma financial information in accordance with the requirements of Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations", under which Pteris is regarded as the acquirer and CFE is regarded as the acquiree as a result of the Proposed Pteris Acquisition.

   The acquisition-date fair value of the consideration transferred by Pteris, the accounting acquirer, for its interest in CFE, the accounting acquiree, is based on the number of equity interests Pteris, the legal subsidiary, would have had to issue to give the owners of CFE, the legal parent, the same percentage equity interest in the combined entity that results from the reverse acquisition. Pteris is deemed to issue shares to give CFE's existing shareholders the same percentage of ownership in the Enlarged Group, which is calculated to be equivalent to 25% interest in Pteris upon completion of the Proposed Pteris Acquisition, assuming the full conversion of the convertible bonds.

The fair value of Pteris Shares was estimated at approximately RMB1,180,221,000 being 127,688,130 Pteris shares at a fair value of RMB9.24 each as at 30 September 2017.

	RMB'000
Fair value of total purchase consideration	1,180,221
Fair value of net identifiable assets and liabilities of the Group *(note (b))*	(1,152,554)
Goodwill	27,667

(a) Impairment tests of 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 amount of goodwill (net of accumulated impairment losses) as at 30 September 2017 is allocated as follows:

	RMB'000
Production and sale of fire engines and fire equipments	27,667

The recoverable amount of the above CGU has been determined on the basis of its value in use calculation using discounted cash flow method. The cash flow projection was based on financial budget approved by the directors of CFE covering a five-year period, and pre-tax discount rate at 12.3%. The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 2%. This growth rate is based on the forecast of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculation included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGU's historical performance and the directors of CFE's expectation of the market development. The directors of CFE believe that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amount.

As the recoverable amount of the CGU was determined to be higher than its carrying amount, no impairment loss was recognised.

(b) The directors of CFE have determined the fair values of the identifiable assets and liabilities of CFE as at 30 September 2017, after referring to the valuation report prepared by an independent valuer, Vigers Appraisal & Consulting Limited.

The carrying amounts and fair values of identifiable assets and liabilities of the Group at 30 September 2017 are as follows:

	Carrying amounts of the identifiable assets and liabilities of the Group as at 30 September 2017	**Fair value adjustments**	**Fair values of the identifiable assets and liabilities of the Group as at 30 September 2017**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	177,079	7,060	184,139
Prepaid land lease payments	31,959	12,018	43,977
Investment in an associate	568,182	–	568,182
Customer relationship	–	25,577	25,577
Inventories	146,111	20,431	166,542
Trade and bills receivables	247,167	–	247,167
Prepayments, deposits and other receivables	92,474	–	92,474
Prepaid land lease payments (in current assets)	794	299	1,093
Other current asset	8,500	–	8,500
Pledged bank deposits	6,675	–	6,675
Bank and cash balances	65,497	–	65,497
Trade and other payables	(224,199)	–	(224,199)
Provision	(16,224)	–	(16,224)
Current tax liabilities	(500)	–	(500)
Deferred tax liabilities	–	(16,346)	(16,346)
Assets identified and liabilities assumed	1,103,515	49,039	1,152,554

In determining the fair value of the identifiable assets and liabilities of the Group, the following valuation methodologies were used:

Prepaid land lease payments, buildings, plant and equipment (included in property, plant and equipment)

In determining the fair value of prepaid land lease payments, market approach and direct comparison approach were adopted. The basis for selecting these approaches was on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest.

In determining the fair value of buildings, as the fair value of the buildings cannot be valued on the basis of market value, they have therefore been valued using depreciated replacement costs to consider the current cost of replacement of the buildings.

In determining the fair value of equipment, cost approach was used as this approach generally furnishes the most reliable indication of value for equipment in the absence of known market based on comparable sales.

Customer relationship

In determining the fair value of customer relationship, income approach was adopted as it assumes the purchaser of an intangible asset will not pay more than the economic benefit that can be generated by such intangible assets.

Inventories

In determining the fair value of inventories, the estimated selling price of each item of inventories was adopted to reflect the fair value of the inventories.

For the purpose of this unaudited pro forma financial information, the Group has performed an impairment assessment of property, plant and equipment, intangible assets and goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") which is consistent with the accounting policy of the Group. On the basis of such assessment, the directors concluded that there is no impairment in the value of property, plant and equipment, intangible assets and goodwill.

5. Issuance of Convertible Bonds

The pro forma adjustments represent:

(i) recognition of liability and equity components of convertible bonds, and

(ii) recognition of the issuance of convertible bonds as distribution of the Company to the Pteris Vendors, and

(iii) recognition of interest of the liability component of convertible bonds calculated as effective interest rate. The adjustment has a continuing effect to the Enlarged Group.

Except adjustment (iii) relating to convertible bonds interest, these adjustments are not expected to have a continuing effect on the Enlarged Group's unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

The issuance of the convertible bonds (the "Convertible Bonds") by the Company to the Pteris Vendors and the TianDa Vendor, which can be converted at initial conversion price of HK$0.366 (and at a fixed exchange rate of HK$1: RMB0.85, equivalent to RMB0.311) per Conversion Share. The fair values of the liability component and equity component in Scenario I were approximately RMB83,330,000 and RMB1,842,859,000 respectively, and in Scenario II approximately RMB117,647,000 and RMB2,601,783,000 respectively were valued by Vigers Appraisal & Consulting Limited as if the Proposed Pteris Acquisition and/or the Proposed TianDa Acquisition had taken place on 30 September 2017. The fair value of the liability component of the Convertible Bonds is estimated by using discount cash flow method, at the discount rate of 10.706%. The equity component of the Convertible Bonds is estimated using Binominal Model. The key assumptions used are as follows:

Conversion period start date	30 September 2017
Conversion period end date	30 September 2047
Maturity date	30 September 2047
Time to maturity	30 years
Underlying stock price	RMB0.4038
Conversion price	RMB0.311
Expected volatility	52%
Expected dividend yield	0%
Risk-free rate	4.23%
Percentage of principal amount to be repaid at redemption	100%

Expected volatility

The expected volatility has made reference to the historical stock price of the CFE and a set of comparable companies with duration similar to the life of the convertible bonds.

Expected dividend yield

The expected dividend yield has made by reference to the historical stock price and dividend of CFE and the policy of CFE in respect of future dividend.

Risk-free rate

The risk-free rate was approximated by the yield of PRC government bond with duration similar to the life of the convertible bonds.

Percentage of principal amount to be repaid at redemption

The percentage of principal amount to be repaid at redemption has made by reference to the terms and conditions of the convertible bonds.

Upon completion of the Proposed Pteris Acquisition, or in the case may be and the Proposed TianDa Acquisition, the fair value of the Convertible Bonds will be re-assessed and may be different from the estimated amounts as presented above.

6. The pro forma adjustment represents the recognition of 0.6% non-controlling interest of Pteris in both Scenario I and Scenario II, which has a continuing effect on the Enlarged Group and the derecognition of 30% TianDa non-controlling interest if the Proposed TianDa Acquisition had taken place in Scenario II, which has no continuing effect on the Enlarged Group.

7. The pro forma adjustment represents the expenditures expected to be incurred in connection with the Proposed Pteris Acquisition and the Proposed TianDa Acquisition including the financial advisor fees, legal fees, printing costs, reporting accountant's fees, and other related expenses. The adjustment has no continuing effect to the Enlarged Group.

8. The unaudited pro forma intangible assets of the Enlarged Group as at 30 September 2017 are as follows:

	The Group	**The Target Group**	**Pro forma adjustment**	**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Goodwill (a)	–	121,356		121,356
Software (b)	–	2,182		2,182
Operating rights for automated parking system (c)	–	47,790		47,790
Patents (d)	–	51,694		51,694
Development cost (e)	–	7,372		7,372
Customer relationship (f)	–	–	25,577	25,577
	–	230,394		255,971

(a) Goodwill

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.

(b) Software

Software represented computer software which is not an integral part of the related hardware and is treated as an intangible asset.

(c) Operating rights for automated parking system

Operating rights for automated parking system represented the service concession agreement entered by the Target Group in 2014 and 2015. Details of this agreement is set out in the accountants' report in Appendix III(A) note 17(b).

(d) Patent for aircraft ground air conditioning

Patent for aircraft ground air conditioning was bought by the Target Group on 21 February 2017 from third party. Details of the patents are set out in the accountants' report in Appendix III(A) note 17 (c).

(e) Development cost

Development costs was in relation to development expenditure of project on parking system technology.

(f) Customer relationship

Customer relationship represented the fair value of relationship build up by the Group with its customers. A customer relationship exists between an entity and its customer if (a) the entity has information about the customer and has regular contact with the customer and (b) the customer has the ability to make direct contact with the entity.

Impairment tests on goodwill

The followings are details of impairment tests on goodwill extracted from the accountant's report in Appendix III (A) note 17(a) to this circular and translated into RMB at exchange rate SGD 1 to RMB4.892 as at 30 September 2017.

(i) Goodwill acquired in a business combination is allocated to the following CGU that are expected to benefit from that business combination.

The carrying amounts of goodwill allocated to each CGU as at 30 September 2017 are as follow:

	RMB'000
Logistic System Business of Pteris Global Limited ("LSB-PGL")	106,064
Ground Support Equipment ("GSE")	1,663
Logistic System Business of Jinte ("LSB-Jinte")	13,629
	121,356

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 30 September 2017:

LSB-PGL	
Budgeted revenue growth	19%
Gross profit margin	22%-27%
Terminal value growth rate	2.4%
Discount rate	13.3%
GSE	
Budgeted revenue growth	14%
Terminal value growth rate	3%
Discount rate	13%
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 margin 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 took 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 as at 30 September 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.

(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 nine months period ended 30 September 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 nine months period ended 30 September 2017.

Impairment tests on other intangible assets

Intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The directors determined the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) 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.

As the recoverable amounts of the CGUs of other intangible assets were determined to be higher than their carrying amounts, no impairment loss was recognised.

(i) Software, operating rights for automated parking system, patents and development costs are tested for impairment by the directors of Pteris.

(ii) Customer relationship is tested for impairment by the directors of CFE.

As part of the audit procedures, the reporting accountants of Pteris has taken into account the impairment assessment made by the directors of Pteris and issued a true and fair opinion on the historical financial information of Pteris Group as at and for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 as a whole.

CFE's auditors agreed with the impairment assessment made by the directors of CFE. The directors of CFE will adopt the same key assumptions, accounting principal and valuation methods to assess the impairment of the relevant intangible assets in the future financial periods.

9. The Subscription

The pro forma adjustment represents the issuance of 673,225,000 shares to the Subscriber at a subscription price of HKD0.366 each and the cash consideration of approximately RMB207,282,000 received, net of related transaction costs. The amounts presented were translated from HKD into RMB at the closing rate as at 30 September 2017. The adjustment has no effect on the unaudited pro forma consolidated profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2016.

10. Other than the above, no other adjustments have been made to reflect any operating results or other transactions of the Enlarged Group entered into subsequent to 30 September 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

15 March 2018

The Board of Directors

China Fire Safety Enterprise Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Fire Safety Enterprise Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors (the "Directors") of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 September 2017, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, the pro forma consolidated statement of cash flows for the year ended 31 December 2016 and related notes as set out in Appendix IV(A) of the circular dated 15 March 2018 issued by the Company (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix IV(A) on pages IV-1 to IV-29 to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 99.41% equity interest in Pteris Global Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group") on the Group's financial position as at 30 September 2017 as if the transaction had taken place at 30 September 2017, and on the Group's financial performance and cash flows for the year ended 31 December 2016 as if the transaction had been taken place at 1 January 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements as included in the financial information for the nine months ended 30 September 2017 as set out in Appendix II to this circular, on which an audit report has been issued. Information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2016, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 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 (the "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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive systems 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 29(7) of Chapter 4 of the Listing Rules, on the 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 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 pro forma financial information in accordance with paragraph 29 of Chapter 4 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 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 pro forma financial information.

The purpose of the pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2016 and 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the 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 pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The 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 Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the CFE 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 CFE Group. The CFE Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than those relating to Sharp Vision, CIMC and the respective parties acting in concert with them) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information relating to the CFE Group. The CFE Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Sharp Vision, CIMC and the respective parties acting in concert with them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of Sharp Vision and CIMC) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of Sharp Vision and the directors of CIMC jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the CFE Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the CFE Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to the date of Pteris Completion and/or the TianDa Completion):

(a) As at the Latest Practicable Date:

Number of Shares

Authorised share capital		**Total authorized capital** *HK$*
10,000,000,000	Shares as at the Latest Practicable Date	100,000,000.00

Issued share capital		Total issued and fully paid capital HK$
4,078,571,430	Shares as at the Latest Practicable Date	40,785,714.30

(b) Immediately after allotment and issuance of the Consideration Shares (assuming the TianDa Completion does not take place and only the Pteris Completion takes place):

Number of Shares

Authorised share capital		Total authorized capital HK$
10,000,000,000	Shares	100,000,000.00
40,000,000,000	Proposed increase of authorized share capital(1)	400,000,000.00
50,000,000,000	Total	500,000,000.00

Issued share capital		Total issued and fully paid capital HK$
4,078,571,430	Shares in issue as at the Latest Practicable Date	40,785,714.30
7,470,108,040	Consideration Shares to be allotted and issued upon the Pteris Completion	74,701,080.40
11,548,679,470	Shares	115,486,794.70

(c) Immediately after allotment and issuance of the Consideration Shares (assuming both the Pteris Completion and the TianDa Completion take place):

Number of Shares

Authorised share capital		Total authorized capital HK$
10,000,000,000	Shares	100,000,000.00
40,000,000,000	Proposed increase of authorized share capital(1)	400,000,000.00
50,000,000,000		500,000,000.00

Issued share capital		Total issued and fully paid capital HK$
4,078,571,430	Shares in issue as at the Latest Practicable Date	40,785,714.30
7,470,108,040	Consideration Shares to be allotted and issued upon the Pteris Completion and the TianDa Completion	74,701,080.40
11,548,679,470	Shares	115,486,794.70

Note:

(1) The CFE Board proposed to increase the authorized share capital of CFE to facilitate the issue of Consideration Shares, Conversion Shares and Subscription Share(s). The proposed increase of the authorized share capital of CFE is subject to the approval of the Independent CFE Shareholders at the CFE EGM.

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividends and voting.

The Company had not issued any Shares since December 31, 2016, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, apart from the 115,625,000 CFE Share Options outstanding, the Company did not have any outstanding warrants, options or securities convertible into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 1 December 2017, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	Closing price per CFE Share HK$
30 June 2017	0.395
31 July 2017	0.435
31 August 2017	0.425
29 September 2017	0.475
31 October 2017	0.435
30 November 2017	0.45
1 December 2017, being the last business day immediately preceding the date of the Joint Announcement	0.46
1 December 2017, the Last Trading Day	0.46
29 December 2017	0.375
31 January 2018	0.39
12 March, being the Latest Practicable Date	0.390

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$0.485 per Share on 4 October, 6 October, 11 October and 13 October 2017 and HK$0.35 per Share on 4 January 2018 respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or where deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers; or (iv) which were required to be disclosed under the Takeovers Code:

Long positions in the CFE Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Jiang Xiong	Beneficial owner*	981,600,000	24.07%

CFE Share Options

Name of Director	Number of Shares issuable under the CFE Share Options	Percentage of issued share capital of the Company at the Latest Practicable Date
Jiang Xiong	4,000,000	0.098%
Loke Yu	4,000,000	0.098%
Heng Ja Wei	4,000,000	0.098%
Ho Man	2,000,000	0.049%
	14,000,000	0.343%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests 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 (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group (if any) or had any options in respect of such capital:

Long positions in the Shares and Shares interested under equity derivatives

Shareholders	Capacity/ Nature of interest	Number of Shares interested *(Note 10)*	Percentage of issued shares *(Note 10)*	Number of Shares interested (other than under equity derivatives *(Note 11)*	Number of shares interested under equity derivatives *(Note 11)*	Total number of shares/ underlying shares under equity derivatives *(Note 11)*	Percentage of issued shares *(Note 12)*
Sharp Vision	Beneficial owner	–	–	4,664,472,279	4,954,490,318	9,618,962,597	52.3%
Top Gear	Beneficial owner	1,223,571,430	30.0%	1,223,571,430	–	1,223,571,430	6.7%
Cooperatie CIMC U.A.	Interest of a controlled corporation *(Note 1)*	1,223,571,430	30.0%	1,223,571,430	–	1,223,571,430	6.7%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of a controlled corporation *(Note 2 & 3)*	1,223,571,430	30.0%	5,888,043,709	4,954,490,318	10,842,534,027	59.0%
CIMC	Interest of a controlled corporation *(Note 4)*	1,223,571,430	30.0%	5,888,043,709	4,954,490,318	10,842,534,027	59.0%
Subscriber	Beneficial owner	673,225,000	5.5%	673,225,000	–	673,225,000	3.5%
Fengqiang	Beneficial owner	–	–	985,600,000	1,631,151,693	2,616,751,693	14.2%
Fengqiang Hong Kong Co., Limited	Interest of a controlled corporation*(Note 5)*	–	–	985,600,000	1,631,151,693	2,616,751,693	14.2%
TGM	Interest of a controlled corporation *(Note 5)*	–	–	985,600,000	1,631,151,693	2,616,751,693	14.2%
Genius Earn Limited	Beneficial owner	–	–	129,000,000	–	129,000,000	0.7%
Lucky Rich	Beneficial owner	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%

Shareholders	Capacity/ Nature of interest	Number of Shares interested *(Note 10)*	Percentage of issued shares *(Note 10)*	Number of Shares interested (other than under equity derivatives *(Note 11)*	Number of shares interested under equity derivatives *(Note 11)*	Total number of shares/ underlying shares under equity derivatives *(Note 11)*	Percentage of issued shares *(Note 12)*
Shanghai Yunrong	Interest of a controlled corporation *(Note 6)*	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
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 6)*	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Liu Xiaolin	Interest of a controlled corporation *(Note 7)*	–	–	1,143,679,470	947,884,300	2,091,563,770	11.4%
Yang Yuan	Interest of Spouse *(Note 8)*	–	–	1,143,679,470	947,884,300	2,091,563,770	11.4%
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 9)*	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
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 9)*	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 9)*	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Jingwei Textile Machinery Co., Ltd.	Interest of a controlled corporation *(Note 9)*	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%

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 4,664,472,279 shares and 4,954,490,318 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 5,888,043,709 shares and 4,954,490,318 shares interested under equity derivatives in which CIMC HK in which CIMC HK has declared interest for the purpose of the SFO.

(5) Fengqiang Hong Kong Co., Limited is benefically interested in the entire share capital of Fengqiang and is deemded or taken to be interested in the 985,600,000 shares and 1,631,151,693 shares interested under equity derivatives in which Fengqiang has declared an interest for the purpose of the SFO. TGM is benefically interested in the entire share capital of Fengqiang Hong Kong Co., Limited and is deemed or taken to be interested in the 985,600,000 shares and 1,631,151,693 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 1,014,679,470 shares and 947,884,300 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 129,000,000 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 and percentage of the Company's share capital immediately after the execution of the Subscription Agreement as stated in the relevant disclosure of interest form.

(11) Number of Shares represents the number of Shares in issue immediately after Pteris Completion and TianDa Completion, assuming (i) all the Convertible Bonds have been fully converted; and (ii) all of the CFE Share Options have been exercised as stated in the relevant disclosure of interest forms.

(12) Percentage calculated based on the total number of Shares in issue immediately after Pteris Completion and TianDa Completion, assuming (i) all the Convertible Bonds have been fully converted; and (ii) all of the CFE Share Options have been exercised as stated in the relevant disclosure of interest forms.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group (if any) or in any options in respect of such capital.

5. ADDITIONAL DISCLOSURE

(1) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which (i) the Consideration Shares and the Proposed Conversion Shares to be issued to Sharp Vision (or its nominee(s)) under the Proposed Acquisitions and the Proposed Conversion respectively; or (ii) the Subscription Shares to be issued to the Subscriber under the Subscription would be transferred, charged or pledged to any other persons.

(2) As at the Latest Practicable Date, save as disclosed in the section headed "(10) Shareholding structure of CFE, Pteris and TianDa" in the "Letter from the Board" contained in this circular and the paragraph "Disclosure of Interests" above in this appendix, none of the CFE Directors, directors of Sharp Vision, and the CIMC Concert Group owned or controlled or were interested in any other CFE Shares, convertible securities, warrants, options or derivatives of the Company.

(3) Save for the entering into of the Sale and Purchase Agreements, the Proposed Conversion and the Subscription Agreement, none of the CFE Directors, directors of Sharp Vision, and the CIMC Concert Group had dealt for value in any CFE Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(4) As at the Latest Practicable Date, none of the Independent CFE Shareholders had irrevocably committed themselves to vote for or against the proposed resolutions approving the Proposed Acquisitions (including the issue of the Consideration Shares and the Convertible Bonds), the proposed increase in authorized capital of CFE, the Subscription, the Specific Mandate (including the issue of the Proposed Conversion Shares) and the Whitewash Waiver.

(5) As at the Latest Practicable Date, none of the members of the CIMC Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

(6) None of the members of the CIMC Concert Group had borrowed or lent any CFE Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(7) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the CIMC Concert Group and any of the CFE Directors, recent CFE Directors, CFE Shareholders or recent CFE Shareholders having any connection with or dependence upon the Proposed Acquisitions (including the issue of the Consideration Shares and the Convertible Bonds), the Subscription, the Specific Mandate (including the issue of the Proposed Conversion Shares) and/or the Whitewash Waiver.

(8) Other than Mr. Zheng Zu Hua and Mr. Luan You Jun, each an executive director of CFE, who hold approximately 7.2% and 4.5% of the equity interest of TGM, respectively, none of the Company and the CFE Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of the Vendors as at the Latest Practicable Date nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Vendors during the Relevant Period and as at the Latest Practicable Date.

(9) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company and any adviser to the Company (as specified in class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company or had dealt in any CFE Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(10) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(11) As at the Latest Practicable Date, there was no Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis by fund managers connected with the Company.

(12) Save for the 981,600,000 CFE Shares held by Mr. Jiang Xiong (an executive Director) and the CFE Share Options held by certain CFE Directors (namely Mr. Jiang Xiong, Mr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man) as disclosed in the the paragraph "Disclosure of interests" above in this appendix, no CFE Director held any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. Mr. Jiang Xiong has indicated that he intends to vote for the resolutions in relation to the Proposed Acquisitions, the proposed increase in authorized capital of CFE, the Proposed Conversion, the Subscription, the Specific Mandate and the Whitewash Waiver in respect of his beneficial shareholdings of the Shares. Each of Mr. Loke Yu, Mr. Heng Jia Wei and Mr. Ho Man has also indicated that in the event that all or part of the CFE Share Options held by them are exercised, they intend to vote for the abovementioned resolutions in respect of their respective beneficial shareholdings in the Shares.

(13) As at the Latest Practicable Date, neither the Company nor any of the Directors had borrowed or lent any CFE Shares, convertible securities, warrants, options or derivatives of the Company.

(14) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Proposed Acquisitions (including the issue of the Consideration Shares and the Convertible Bonds), the Subscription, the Specific Mandate (including the issue of the Proposed Conversion Shares) and/or the Whitewash Waiver.

(15) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Proposed Acquisitions (including the issue of the Consideration Shares and Convertible Bonds), the Proposed Conversion, the Subscription, the Specific Mandate (including the issue of the Proposed Conversion Shares) and/or the Whitewash Waiver or otherwise connected with the Proposed Acquisitions (including the issue of the Consideration Shares and Convertible Bonds), the Proposed Conversion, the Subscription, the Specific Mandate (including the issue of the Proposed Conversion Shares) and/or the Whitewash Waiver.

(16) Save for the entering into of the Sale and Purchase Agreements, as at the Latest Practicable Date, there was no material contract entered into by Sharp Vision in which any CFE Director had a material personal interest.

(17) It is the intention of CIMC to continue the existing businesses of the Enlarged Group and the employment of the employees of the Enlarged Group. CIMC has no intention to redeploy the fixed assets of the Enlarged Group or to introduce major changes to the businesses of the Enlarged Group. CIMC is optimistic about the prospect of the existing businesses of the Enlarged Group and considers the Proposed Restructuring commercially justifiable.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 30 September 2017 (being the date to which the latest published audited financial statements of the CFE Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Joint Announcement; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interests in any business which competed or might compete with the business of the CFE Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by the members of the Enlarged Group within the two years immediately preceding the date of the Joint Announcement and up to and including the Latest Practicable Date:

(1) 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;

(2) a business transfer agreement dated February 21, 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 Conditional 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;

(3) an equity transfer agreement dated May 8, 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 RMB20.0 million;

(4) the Sale and Purchase Agreements; and

(5) the Subscription Agreement;

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 date of the Joint Announcement and up to and including the Latest Practicable Date.

10. LITIGATION

A subsidiary of CFE 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. CFE sold the hotel business in 2014. The subsidiary lost in the case and CFE 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 CFE Group). The subsidiary appealed and the court of appeal overturned the original judgement and ordered a retrial in June 2017. The landlord and CFE agreed to settle the case but the negotiation is still in progress as at the Latest Practicable Date. The settlement agreement is yet to be confirmed and there is no proceeding in court relating to the afore-mentioned case 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 CFE Group.

11. EXPERTS AND CONSENTS

Set out below are the qualifications of the experts who have given opinions or advices contained in this circular:

Name	Qualification
Yunfeng Financial Markets Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
RSM Hong Kong	Certified Public Accountants
Ruihua Certified Public Accountants	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Beijing Dentons Law Offices, LLP (Shenzhen)	Legal advisers of Company as to PRC laws

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 30 September 2017 (being the date to which the latest published audited consolidated financial statements of the CFE Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the CFE Group.

As at the Latest Practicable Date, none of the above experts was interested in any securities in any members of the CFE Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the CFE Group.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which they respectively appear.

12. MISCELLANEOUS

(a) The 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The head office and principal place of business in Hong Kong of the Company is situated at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The registered office of Sharp Vision is situated at 3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. The directors of Sharp Vision are Mr. JIN Jianlong, Mr. WANG Yu and Mr. YU Yuqun.

(f) The directors of CIMC are Mr. WANG Hong, Mr. WANG Yuhang, Mr. HU Xianfu, Mr. LIU Chong, Mr. MAI Boliang, Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert.

(g) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong and on the websites of the Company (www.chinafire.com.cn) and the Securities and Futures Commission (www.sfc.hk) 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 memorandum and articles of association of Sharp Vision;

(c) the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016 and the interim report of the Company for the six months ended 30 June 2017;

(d) the letter from the Board as set out in this circular;

(e) the letter from the CFE Independent Board Committee as set out in this circular;

(f) the letter from the CFE Whitewash Waiver Board Committee as set out in this circular;

(g) the letter from the Independent Financial Adviser as set out in this circular;

(h) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information of the Pteris Group, the text of which is set out in Appendix III(A) to this circular;

(i) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information of the TianDa Group, the text of which is set out in Appendix III(B to this circular;

(j) the accountant's report on the unaudited pro forma financial information of the Enlarged Group from RSM Hong Kong, the text of which is set out in Appendix IV to this circular;

(k) the independent auditor's report from Ruihua Certified Public Accountants on the consolidated financial statements of CFE Group for the nine months ended 30 September 2017. The audited consolidated financial statements is set out in Appendix II to this circular;

(l) the written consents referred to under the paragraph headed "Experts and Consents" in this appendix;

(m) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(n) the Frost & Sullivan Report; and

(o) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of China Fire Safety Enterprise Group Limited (the "**Company**") will be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 11 April 2018 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, 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 15 March 2018 (the "**Circular**").

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the form and substance of the Pteris Sale and Purchase Agreement and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

   (b) any one or more of the CFE Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to, the Pteris Sale and Purchase Agreement, as are, in the opinion of the CFE Directors, in the interest of the Company and the CFE Shareholders as a whole."

2. "**THAT** conditional upon the passing of resolution 1:

   (a) the form and substance of the TianDa Equity Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

   (b) subject to the consent of the Executive pursuant to Rule 25 of the Takeovers Code and the satisfaction of any condition(s) attached thereon imposed by the Executive, all transactions contemplated under the TianDa Equity Transfer Agreement and the Proposed TianDa Acquisition, which constitutes a special deal under Rule 25 of the Takeovers Code, be and are hereby approved, confirmed and ratified; and

(c) any one or more of the CFE Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to, the TianDa Equity Transfer Agreement and the Special Deal, as are, in the opinion of the CFE Directors, in the interest of the Company and the CFE Shareholders as a whole."

3. "**THAT** conditional upon the passing of resolution 1, the increase in the authorized capital of the Company from HK$100,000,000 divided into 10,000,000,000 CFE Shares of a par value of HK$0.01 each to HK$500,000,000 divided into 50,000,000,000 CFE Shares by the creation of an additional 40,000,000,000 unissued CFE Shares be and are hereby approved."

4. "**THAT** conditional upon the passing of resolution 1, the grant of the Specific Mandate for the CFE Board to issue the Consideration Shares, the Convertible Bonds and the Conversion Shares (including the Proposed Conversion Shares) upon the exercise of the Conversion rights attaching to the Convertible Bonds be and are hereby approved:

(i) pursuant to the Sale and Purchase Agreements (assuming both the Pteris Completion and the TianDa Completion take place), up to a total of 7,470,108,040 Consideration Shares and Convertible Bonds in the aggregate principal amount of up to RMB2,093,133,694 to the Vendors (or their respective nominee(s)); and

(ii) pursuant to the Pteris Sale and Purchase Agreement (assuming the TianDa Completion does not take place and only the Pteris Completion takes place), up to 7,470,108,040, Consideration Shares and Convertible Bonds in the principal amount of up to RMB1,482,580,105 to the Pteris Vendors (or their respective nominee(s))."

5. "**THAT** conditional upon the passing of resolution 1, the grant of the Specific Mandate for the CFE Board to issue a total of 673,225,000 Subscription Shares at the Subscription Price of HK$0.366 per Subscription Shares pursuant to the Subscription Agreement be and hereby approved.

6. "**THAT** conditional upon the passing of resolution 1:

(a) subject to and conditional upon the Executive granting the Whitewash Waiver to CIMC (on behalf of Sharp Vision) and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the obligations of the CIMC Concert Group to make a mandatory general offer for all the CFE Shares and CFE Shares Options that are not already or agreed to be acquired by the CIMC Concert Group as a result of the allotment and issuance of the Consideration Shares and the Proposed Conversion Shares to Sharp Vision (or its nominee(s)) and the Subscription Shares to the Subscriber be and are hereby approved; and

(b) any one CFE Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the CFE Director in his sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Whitewash Waiver."

SPECIAL RESOLUTION

7. "**THAT** conditional upon the Pteris Completion, the name of the Company be changed from "China Fire Safety Enterprise Group Limited" to "CIMC-TianDa Holdings Company Limited" and the Chinese name from「中國消防企業集團有限公司」to「中集天達控股有限公司」."

By Order of the Board
China Fire Safety Enterprise Group Limited
Li Ching Wah
Company Secretary

Hong Kong, 15 March 2018

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 Oversea Building
No 139 Hennessy Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more CFE Shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy needs not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof (as the case may be).

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint holders of any CFE Share, any one of such joint holders may vote, either in person or by proxy, in respect of such CFE Share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. The voting at the Meeting shall be taken by way of poll.

7. The register of members of the Company will be closed from Friday, 6 April 2018 to Tuesday, 10 April 2018 (both days inclusive) for determining CFE Shareholders' entitlement to attend and vote at the Meeting, during which no transfer of CFE Shares will be registered. In order to qualify for attending and voting at the Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Wednesday, 4 April 2018.

As at the date of this notice, the executive Directors are Mr. Jiang Xiong, Mr. Zheng Zu Hua, and Mr. Luan You Jun; the non-executive Directors are Dr. Li Yin Hui, Mr. Yu Yu Qun and Mr. Robert Johnson; and the independent non-executive Directors are Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man.