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 you should take, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CIMC-TianDa Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or 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.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF EGM

Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 29 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Empire Room I, 1/F, Empire Hotel Hong Kong - Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 14 June 2019 (Friday) at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinafire.com.cn). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

24 May 2019

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

"2018 Profit Guarantee"	has the meaning ascribed to it under the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Performance guarantee and Financial Compensation"
"2019 Profit Guarantee"	has the meaning ascribed to it under the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Performance guarantee and Financial Compensation"
"Acquisition"	the acquisition of the Target Interests by the Purchaser from the Vendors pursuant to the Equity Transfer Agreement
"Adjusted Audited Net Profit"	the amount representing audited net profit of the Target Group as per the Auditors' Report less (i) all non-recurring gain and loss and (ii) any increase in the profit as a result of anomalies in operating costs and expenses (including but not limited to unsustainable low-cost procurement, materials compensation, government subsidies and incentives)
"Aggregate Performance Guarantee"	has the meaning ascribed to it under the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Performance guarantee and Financial Compensation"
"Audited Financial Statements"	the audited consolidated financial statements of the Target Group for the period ended 30 June 2018 to be issued by an audit firm appointed by the Purchaser
"Auditors' Reports"	the auditors' reports of the Target Group for the year ended 31 December 2018 and the year ending 31 December 2019 issued by the audit firm designated by CIMC
"Board"	the board of directors of the Company
"Changes to the Corporate Governance Structure"	the proposed changes to the structure of the board of directors, the supervisory committee, the senior management, the corresponding amendments to the articles of association of the Target Company and the joint appointment of a representative by the Purchaser and the Vendors pursuant to the terms of the Equity Transfer Agreement, further details of which are set out in the section headed "Letter from the Board – The Acquisition – Changes to the Corporate Governance Structure"

"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 the Company
"CIMC Finance"	CIMC Finance Co., Ltd.* (中集集團財務有限公司), a company established in the PRC with limited liability
"CIMC HK"	China International Marine Containers (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
"Collected Amount"	the amount of Designated Receivables collected by the Target Group from the relevant parties for and on behalf of the Vendors
"Company"	CIMC-TianDa Holdings Company Limited (中集天達控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445)
"Comparable Companies"	has the meaning ascribed to it under the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Consideration"
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
"Completion Date"	the date of the Completion
"Conditions Precedent"	the conditions precedent to Completion, as more particularly set out in the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Conditions Precedent"
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration in the amount of RMB600,000,000 (subject to deductions) payable by the Purchaser to the Vendors for the Acquisition under the Equity Transfer Agreement
"Designated Receivables"	certain designated receivables of the Target Group, being relatively aged trade receivables and bid bond receivables of the Target Group as at 30 June 2018 according to the final draft of the Audited Financial Statements as specified in the Equity Transfer Agreement, to be distributed by the Target Company as the Dividend in Specie

"Director(s)"	the director(s) of the Company
"Disposal of Assets"	the disposal of certain assets of the Target Group by the Vendors and the Target Company in accordance with the instructions of the Purchaser pursuant to the Equity Transfer Agreement
"Distribution Amount"	the amount which is equivalent to the excess of (a) the net assets of the Target Group as at 30 June 2018 as shown in the final draft of the Audited Financial Statements (after deducting the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 in the amount of RMB16,269,749.38) over (b) RMB550,000,000
"Dividend in Specie"	the dividend to be distributed by the Target Company to the Vendors in the form of the Designated Receivables in the Distribution Amount in conducting the Disposal of Assets
"EGM"	the extraordinary general meeting of the Company to be held at Empire Room I, 1/F, Empire Hotel Hong Kong – Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 14 June 2019 (Friday) at 3:00 p.m. for the purpose of considering and, if thought fit, approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group and the Target Group
"Equity Transfer Agreement"	the equity transfer agreement dated 31 July 2018 entered into between the Parties in relation to the Acquisition, as amended and supplemented by the Supplemental Agreement
"EUR"	Euro, the lawful currency of the European Union
"Fengqiang"	Fengqiang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"Fengqiang HK"	Fengqiang Hong Kong Co., Limited, a company incorporated in the Hong Kong with limited liability
"Financial Compensation"	has the meaning ascribed to it under the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Performance guarantee and Financial Compensation"
"First Instalment"	the first instalment of the Consideration in the amount of RMB300,000,000 payable by the Purchaser to the Vendors pursuant to the Equity Transfer Agreement

"Fushun Shunda"	Fushun Shunda Fire Equipment Manufacturing Co., Ltd* (撫順順達消防設備製造有限公司), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
"Group"	the Company and its subsidiaries
"HKFRS"	the Hong Kong Financial Reporting Standards
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Irrecoverable Amount"	the portion of the Designated Receivables which cannot be recovered for any reason
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date"	21 May 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Lucky Rich"	Lucky Rich Holdings Limited, a company incorporated in Samoa with limited liability
"Notice of Approval of the Registration of Change"	the notice of approval of the registration of change issued by the relevant company registration authority in respect of the Acquisition, the Changes to the Corporate Governance Structure and the relevant amendments to the articles of association of the Target Company
"Parties"	collectively, the Purchaser, the Vendors and the Target Company
"Personal Income Tax"	the personal income tax payable by the Vendors for the Dividend in Specie
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prepayment"	the prepayment in the amount of RMB300,000,000 payable by the Purchaser to the Vendors pursuant to the Equity Transfer Agreement

"Pteris"	Pteris Global Limited, a company incorporated in Singapore with limited liability
"Pteris Acquisition"	the acquisition of approximately 99.41% of the equity interests in Pteris by Wang Sing from Sharp Vision and Fengqiang pursuant to a sale and purchase agreement dated 4 December 2017 entered into by and among Wang Sing, the Company, Sharp Vision and Fengqiang
"Pteris Group"	Pteris and its subsidiaries
"P/E Ratio"	price-to-earnings ratio
"Purchaser"	Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd.* (萃聯(中國)消防設備製造有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Relieved Amount"	the amount of relief in respect of the Shenyang Finance Bureau Debt provided by the Shenyang Finance Bureau
"Remaining Balance"	the remaining balance of the Consideration in the amount of RMB150,000,000 (subject to deductions) payable by the Purchaser to the Vendors pursuant to the Equity Transfer Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Second Instalment"	the second instalment of the Consideration in the amount of RMB150,000,000 payable by the Purchaser to the Vendors pursuant to the Equity Transfer Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGD"	Singaporean dollar(s), the lawful currency of Singapore
"Shanghai Jindun"	Shanghai Jindun Special Vehicle Equipment Co. Ltd.* (上海金盾特種車輛裝備有限公司), a company established in the PRC with limited liability
"Shanghai Jindun Fire-Fighting"	Shanghai Jindun Fire-Fighting Security Equipment Co., Ltd.* (上海金盾消防安全設備有限公司), a company established in the PRC with limited liability

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares from time to time
"Sharp Vision"	Sharp Vision Holdings Limited, a company incorporated in Hong Kong with limited liability
"Shenyang Finance Bureau Debt"	the debt owed by the Target Company to the Shenyang Finance Bureau
"Shenyang Ruida"	Shenyang Ruida Fire Equipment Manufacturing Co., Ltd.* (瀋陽銳達消防裝備製造有限公司), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 30 November 2018 entered into between the Parties to amend and supplement certain terms of the Equity Transfer Agreement
"Takeover Documents"	all certificates, seals, technical documentation, title certificates of the assets, debt and credit information, and financial and accounting system and information of the Target Group and other relevant information and documentation of the Target Group as requested by the Purchaser
"Target Company"	Shenyang Jietong Fire Truck Co., Ltd.* (瀋陽捷通消防車有限公司), a company established under the laws of the PRC with limited liability and is directly held as to 100% by the Vendors as at the Latest Practicable Date
"Target Group"	collectively, the Target Company, Shenyang Ruida and Fushun Shunda
"Target Interests"	represent 60% of the equity interests directly held by the Vendors in the Target Company as at the Latest Practicable Date
"TGM"	Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司), a company established in the PRC with limited liability
"TianDa"	Shenzhen CIMC-TianDa Airport Support Limited* (深圳中集天達空港設備有限公司), a company established in the PRC with limited liability

"TianDa Acquisition"	the acquisition of 30% equity interests in TianDa by Wang Sing from Lucky Rich pursuant to a sale and purchase agreement dated 4 December 2017 entered into between Wang Sing and Lucky Rich
"TianDa Group"	TianDa and its subsidiaries
"Top Gear"	CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability
"US"	the United States of America
"USD"	US dollar(s), the lawful currency of the US
"Vendors"	seven individuals who are PRC residents and collectively hold 100% of the equity interests in the Target Company as at the Latest Practicable Date
"Wang Sing"	Wang Sing Technology Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
"Ziegler"	Albert Ziegler GmbH, a company incorporated in Germany with limited liability
"%"	per cent.

* *For identification purpose only*

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

Non-executive Directors:
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. 9, Fuyuan 2nd Road
Fuyong, Baoan District
Shenzhen, PRC

24 May 2019

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcements of the Company dated 31 July 2018, 11 October 2018, 30 November 2018 and 31 December 2018 in relation to, among other things, the Acquisition.

On 31 July 2018, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Interests, at the consideration of RMB600,000,000 (subject to deductions), subject to the terms and conditions of the Equity Transfer Agreement.

Subsequent to the entering into of the Equity Transfer Agreement, the Parties have been taking active steps in handling various matters pursuant to the Equity Transfer Agreement. On 30 November 2018, the Parties entered into the Supplemental Agreement to amend and supplement certain terms of the Equity Transfer Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder; (ii) financial and other information of the Group; (iii) financial information and other information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) the notice of the EGM.

THE ACQUISITION

The principal terms of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) are set out below.

Equity Transfer Agreement

Date

31 July 2018 (as amended and supplemented by the Supplemental Agreement on 30 November 2018)

Parties

(1) the Purchaser;

(2) the Vendors; and

(3) the Target Company.

Subject matter

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Interests, representing 60% of the equity interests in the Target Company, subject to the terms and conditions of the Equity Transfer Agreement.

In light of the payment obligation of the Purchaser of the Prepayment in the amount of RMB300,000,000, representing 50% of the Consideration, shortly after the signing of the Equity Transfer Agreement and prior to Completion, the Parties considered that it was fair and reasonable for the Purchaser and the Vendors to be entitled to the profits generated from the operation of the Target

Company in the proportion of 60% and 40% starting from a retrospective date upon Completion. Accordingly, the Parties, after arm's length negotiation, agreed that with effect from 1 June 2018, being the first day of the month preceding the date on which the Equity Transfer Agreement came into effect, the Purchaser and the Vendors shall be entitled to the profits generated from the operation of the Target Company in the proportion of 60% and 40%, respectively.

Ownership of assets

Pursuant to the Equity Transfer Agreement, the Purchaser and the Vendors confirmed that, the existing assets of the Target Group (whether or not such assets are within the reporting scope of the Audited Financial Statements) belong to the Target Group, and shall remain with the Target Group following Completion.

Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Acquisition is RMB600,000,000 (subject to deductions), which shall be payable by the Purchaser to the Vendors in the following manner:

(i) the First Instalment, being the amount of RMB300,000,000, shall be payable on the Completion Date and shall be satisfied by set-off against the Prepayment;

(ii) the Second Instalment, being the amount of RMB150,000,000, shall be payable within 15 business days upon receipt of (a) the relevant payment notice issued by the Vendors and (b) the Notice of Approval of the Registration of Change; and

(iii) the Remaining Balance, being the amount of RMB150,000,000 (subject to deductions), shall be payable in the following manner:

(a) if the 2018 Profit Guarantee is being satisfied, the Remaining Balance shall be payable within 15 business days upon receipt of (1) the relevant payment notice issued by the Vendors and (2) the original Auditors' Report for the year ended 31 December 2018;

(b) if the 2018 Profit Guarantee is not being satisfied, but the Aggregate Performance Guarantee is being satisfied, the Remaining Balance shall be payable within 15 business days upon receipt of (1) the relevant payment notice issued by the Vendors and (2) the original Auditors' Reports for the year ended 31 December 2018 and the year ending 31 December 2019; and

(c) if neither the 2018 Profit Guarantee nor the Aggregate Performance Guarantee is being satisfied, on the condition that the Remaining Balance is sufficient for the deduction of the applicable Financial Compensation, the Remaining Balance (after deduction of the applicable Financial Compensation) shall be payable within 15 business days upon receipt of (1) the relevant payment notice issued by the Vendors and (2) the original Auditors' Reports for the year ended 31 December 2018 and the year ending 31 December 2019.

The Auditors' Reports will be prepared in accordance with the Hong Kong Financial Reporting Standards. As at the Latest Practicable Date, the Purchaser has received the original Auditors' Report for the year ended 31 December 2018. The Auditors' Report for the year ending 31 December 2019 is expected to be available on or before 31 March 2020, or such other dates as agreed among the Parties in writing.

The Consideration was determined after arm's length negotiations between the Group and the Vendors on normal commercial terms with reference to a number of factors, including: (i) the audited net asset value of the Target Group of approximately RMB693,243,000 as at 31 December 2017; (ii) the Disposal of Assets and the Condition Precedent that the net assets of the Target Group being not less than RMB550,000,000 as shown in the relevant financial statements as further detailed in the sections headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Prepayment" and "Letter from the Board – The Acquisition – Equity Transfer Agreement – Conditions Precedent" below; (iii) the historical financial performance of the Target Group; (iv) the business development and long term prospects of the Target Group; (v) the performance guarantee and the Financial Compensation as set out in the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Performance guarantee and Financial Compensation"; and (vi) the benefits of the Acquisition as set out in the section headed "Letter from the Board – Reasons for and benefits of the Acquisition" below.

The Consideration will be financed by the internal resources of the Group and bank borrowings.

The Consideration represents a premium of approximately 44.25% over RMB415,945,800 (being 60% of the audited net asset value of the Target Group of approximately RMB693,243,000 as at 31 December 2017). Such premium was determined after arm's length negotiations between the Group and the Vendors on normal commercial terms with reference to a number of factors, including: (i) the business development and long term prospects of the Target Group; (ii) the high degree of alignment between the Group and the Target Group in terms of business activities; and (iii) the compatibility of the Target Group with the development strategy of the Group. The composition and value of the net assets of the Target Group merely represents a measurement of its scale of operation and short-term financial position without regard to the business development and long term prospects of the Target Group.

In assessing the abovementioned premium, the Company also took into account the P/E Ratios of certain other comparable companies listed on the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Vienna Stock Exchange and the New York Stock Exchange whose business segments include the manufacturing of fire engines and fire-fighting equipment (the "**Comparable Companies**"). The following table sets forth a summary of the relevant findings:

Company name	Stock code	Stock exchange	P/E Ratio as at the Latest Practicable Date *(times)* *(Note)*
Morita Holdings Corporation	6455	Tokyo Stock Exchange	13.93
Rosenbauer International AG	ROS	Vienna Stock Exchange	11.44
Oshkosh Corporation	OSK	New York Stock Exchange	10.13
Weihai Guangtai Airport Equipment Co., Ltd.	002111	Shenzhen Stock Exchange	19.98
Xuzhou Handler Special Vehicle Co., Ltd.	300201	Shenzhen Stock Exchange	50.81

Note:

The P/E Ratios of the Comparable Companies as at the Latest Practicable Date were sourced from Bloomberg.

The P/E Ratios of the Comparable Companies as at the Latest Practicable Date ranged from 10.13 times to 50.81 times, with an average of 21.26 times. In comparison, based on (i) the price of 100% of the equity interests in the Target Group of RMB1,000,000,000 calculated with reference to the Consideration; and (ii) the 2018 Profit Guarantee and the 2019 Profit Guarantee of RMB80,000,000, the P/E Ratio of the Target Group is approximately 12.50 times, which is on the low end of the aforementioned range and below the average of the P/E Ratios of the Comparable Companies as at the Latest Practicable Date.

In light of the P/E Ratios of the Comparable Companies, taking also into account of (i) the business development and long term prospects of the Target Group; (ii) the high degree of alignment between the Group and the Target Group in terms of business activities; and (iii) the compatibility of the Target Group with the development strategy of the Group, the Directors are of the view that the abovementioned premium of approximately 44.25% is fair and reasonable.

Prepayment

Subject to the satisfaction of the conditions that (i) the net assets of the Target Group as shown in the consolidated management accounts of the Target Group as at 30 June 2018 being not less than RMB550,000,000 and (ii) the Vendors having issued the relevant payment notice to the Purchaser, the Purchaser shall pay the Prepayment, being the amount of RMB300,000,000, to the Vendors.

According to the consolidated management accounts of the Target Group as at 30 June 2018, the net assets of the Target Group as at 30 June 2018 was RMB724,709,809 and the Vendors issued the relevant payment notice to the Purchaser on 10 August 2018, and therefore, the Purchaser paid the Prepayment, being the amount of RMB300,000,000, to the Vendors in two instalments on 17 August 2018 and 20 August 2018, respectively.

The Prepayment shall be used to set off against the payment of the First Instalment on the Completion Date.

Following payment of the Prepayment by the Purchaser:

(i) the Purchaser shall be entitled to, at its absolute discretion, instruct the Vendors and the Target Company to conduct the Disposal of Assets;

(ii) the Purchaser shall be entitled to participate in the operation and management of the Target Company; and

(iii) the Vendors and the Target Company shall deliver the Takeover Documents to an employee of the Target Company designated by the Purchaser.

The Prepayment is refundable by the Vendors to the Purchaser in full if the Acquisition does not proceed to Completion due to (i) the Acquisition not being approved by the Shareholders at the EGM; or (ii) other reasons beyond the control of the Purchaser (including the Acquisition not being approved by relevant regulatory authorities). The Vendors shall refund the Prepayment to the Purchaser within 60 days and no interest will be payable by the Vendors to the Purchaser upon refund of the Prepayment.

As disclosed in the announcement of the Company dated 31 July 2018, it was intended that the Disposal of Assets will involve disposal to the Vendors at nil consideration of certain obsolete assets of the Target Group which may be subject to impairment, including accounts receivables aged over three years, prepayments aged over one year and raw materials aged over one year, before Completion.

Subsequent to the entering into of the Equity Transfer Agreement, the Purchaser has conducted further review and assessment of the relevant assets of the Target Group by reviewing relevant ledgers, invoices, delivery notes and underlying contracts and conducting physical inspection of the raw materials in determining the scope of the Disposal of Assets. The aforementioned further review and assessment revealed that the relevant raw materials were being, and can be in the future, utilised in the manufacturing of fire trucks and fire-fighting equipment by the Target Group and the relevant prepayments primarily arose as a result of the procurement for supplies of raw materials by the Target Group. Accordingly, the relevant prepayments and raw materials were assessed to be not obsolete. However, certain relatively aged trade receivables and bid bond receivables of the Target Group (inclusive of the accounts receivables (comprising trade receivables and bid bond receivables) aged over three years) were found to be more vulnerable to potential impairment. Accordingly, it was determined that adjustments should be made to the scope of the Disposal of Assets such that the relevant raw materials and prepayments shall be retained by the Target Group, while the relatively aged trade receivables and bid bond receivables shall be disposed of.

In addition, according to the PRC legal advisers to the Company, disposal of assets of the Target Group to the Vendors (as the existing shareholders of the Target Company) under the PRC laws may generally be conducted by way of (i) distribution of dividends; and (ii) corporate division under the Company Law of the PRC. As the aforementioned corporate division involves lengthy procedures including setting up of new PRC company, various public announcements and notice periods, the Parties agreed that the Disposal of Assets shall be conducted by way of distribution of dividends in order to avoid the lengthy procedures.

In light of the foregoing, the Parties agreed that, the Disposal of Assets shall be conducted by way of distribution of dividends in the form of a distribution in specie of certain designated aged receivables as abovementioned by the Target Company to the Vendors, further details of which are set out as follows:

(i) The Target Company shall, by one month prior to the Completion Date, distribute the Dividend in Specie to the Vendors in the form of the Designated Receivables, being relatively aged trade receivables and bid bond receivables of the Target Group as at 30 June 2018 according to the final draft of the Audited Financial Statements as specified in the Supplemental Agreement in the Distribution Amount, which is equivalent to the excess of (a) the net assets of the Target Group as at 30 June 2018 as shown in the final draft of the Audited Financial Statements (after deducting the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 in the amount of RMB16,269,749.38) over (b) RMB550,000,000.

(ii) Completion of the distribution of the Dividend in Specie shall be deemed as completion of the Disposal of Assets, being a Condition Precedent to Completion.

(iii) The Vendors authorise the Target Group to collect the Designated Receivables from the relevant parties for and on behalf of the Vendors, and the Target Group shall pay to the Vendors the balance of (a) the Collected Amount, after deducting (b) the entire sum of the Personal Income Tax to be paid by the Target Group for and on behalf of the Vendors.

(iv) If the Designated Receivables cannot be recovered for any reason, the Vendors (a) shall be solely liable for all losses suffered in respect of the Irrecoverable Amount; and (b) shall not have any right to recover any of the Irrecoverable Amount from the Purchaser, the Target Company and/or the Target Group.

(v) The Vendors (a) shall be liable for all the Personal Income Tax; and (b) shall not have any right to recover any of the Personal Income Tax deducted from the Collected Amount and paid by the Target Group for and on behalf of the Vendors (including any refund or deduction, if any, of the Personal Income Tax in respect of the Irrecoverable Amount) from the Purchaser, the Target Company and/or the Target Group.

(vi) Following the distribution of the Dividend in Specie by the Target Company, in the event that the net assets of the Target Group as shown in the consolidated management accounts of the Target Group for the period from 1 July 2018 to the last day of the month immediately preceding the Completion Date is less than RMB550,000,000, and should the

Purchaser agree to waive the Condition Precedent that the net assets of the Target Group as shown in the relevant financial statements being not less than RMB550,000,000 and proceed with Completion, the Vendors shall compensate the Purchaser with financial compensation in the amount of the shortfall, and such financial compensation shall be deducted directly from the Second Instalment and the Remaining Balance payable by the Purchaser. If the aforementioned shortfall exceeds the sum of the Second Instalment and the Remaining Balance, the Vendors shall immediately pay the Target Company an amount equivalent to the aforementioned shortfall in cash.

(vii) In the event that the Target Group is short of working capital, the Target Group may, with the consent of the Vendors, use all or part of the Collected Amount as its working capital, subject to the payment of an interest to the Vendors at the benchmark lending rate (within one year (including one year)) published by the People's Bank of China on the day of utilisation of the relevant amount as working capital by the Target Group.

The Designated Receivables comprise relatively aged trade receivables and bid bond receivables and arose from the ordinary and usual course of business of the Target Group with the relevant debtors being customers of the Target Group, including PRC local governments and fire departments as well as private corporations. The trade receivables generally arose from sales of the fire trucks and fire-fighting equipment of the Target Group to its customers, while the bid bond receivables generally arose as a result of participation of the Target Group in the bidding process for supply of fire trucks and fire-fighting equipment.

The relatively long aging of the Designated Receivables is attributable to (i) the lack of efficient management of receivables of the Target Group as a result of (a) inadequate internal reporting and communication between the finance department and the sales and marketing department; and (b) the absence of dedicated personnel for receivable recovery; (ii) the delayed settlement by certain PRC local government customers in light of their temporary financial difficulties; and (iii) the delayed settlement by the PRC fire departments as a result of the prolonged approval procedures due to the change in their governing ministry from the Ministry of Public Security of the PRC to the newly established Ministry of Emergency Management of the PRC in March 2018. The Company will take steps to enhance the receivable management system of the Target Group following Completion.

Based on the consolidated management financial statements of the Target Group as at 30 June 2018 and the final draft of the Audited Financial Statements, as at 30 June 2018, the Designated Receivables amounted to approximately RMB154,919,802.79 and comprise (i) the trade receivables aged from 181 days to over three years of RMB141,295,946.55; and (ii) the bid bond receivables aged from two years to over three years of RMB13,623,856.24. The Distribution Amount of approximately RMB154,919,802.79 represents the excess of (i) the net assets of the Target Group as at 30 June 2018 as shown in the final draft of the Audited Financial Statements (after deducting the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 to which the Purchaser and the Vendors are entitled in the proportion of 60% and 40%, respectively) over (ii) RMB550,000,000, being the agreed threshold of the net assets of the Target Group as a Condition Precedent under the Equity Transfer Agreement. According to the final draft of the Audited Financial Statements, the net assets of the Target Group as at 30 June 2018 was approximately RMB721,189,552.17, following distribution of the Dividend in Specie, being the Designated Receivables in the amount of approximately

RMB154,919,802.79, it is expected that the net assets of the Target Group (excluding the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 in the amount of RMB16,269,749.38) will amount to approximately RMB550,000,000.

The primary reason for the Disposal of Assets by distributing the Designated Receivables in the form of Dividend in Specie to the Vendors before Completion is to avoid any adverse impact of potential impairment of the Designated Receivables, being the relatively aged trade receivables and bid bond receivables of the Target Group on the financial performance of the Enlarged Group following Completion. The Disposal of Assets also enables the Purchaser to exclude from the Acquisition the Designated Receivables, thereby facilitating the determination of the Consideration by the parties in a fair and reasonable manner.

Following payment of the Prepayment by the Purchaser in two instalments on 17 August 2018 and 20 August 2018, respectively, the Purchaser has participated in the operation and management of the Target Company and the Takeover Documents have been delivered by the Vendors and the Target Company to an employee of the Target Company designated by the Purchaser.

In the event that the Prepayment has been paid by the Purchaser and the Acquisition does not proceed due to (i) the failure to obtain the approval of the Acquisition by the Stock Exchange or the relevant PRC governmental departments and other reasons beyond the control of the Purchaser or (ii) the failure to obtain the approval of the Acquisition by the board of directors of the Purchaser, the Board and/or the Shareholders, the Vendors shall, within 60 days, return the Prepayment to the Purchaser without interest.

Performance guarantee and Financial Compensation

Pursuant to the Equity Transfer Agreement, the Vendors warrant to the Purchaser that according to the Auditors' Reports, the Target Group shall achieve the following financial performance:

(i) the Adjusted Audited Net Profit of the Target Group for the year ended 31 December 2018 shall be not less than RMB80,000,000 (the "**2018 Profit Guarantee**");

(ii) the Adjusted Audited Net Profit of the Target Group for the year ending 31 December 2019 shall be not less than RMB80,000,000 (the "**2019 Profit Guarantee**"); and

(iii) the aggregate Adjusted Audited Net Profit of the Target Group for the years ended 31 December 2018 and the year ending 31 December 2019 shall be not less than RMB160,000,000 and the aggregate audited revenue of the Target Group for the year ended 31 December 2018 and the year ending 31 December 2019 shall be not less than RMB1,400,000,000 (collectively, the "**Aggregate Performance Guarantee**").

If the abovementioned performance guarantees are not being satisfied, the Vendors shall compensate the Purchaser with financial compensation (the "**Financial Compensation**") as follows:

(i) In the event that the 2018 Profit Guarantee is not being satisfied and the aggregate Adjusted Audited Net Profit of the Target Group for the year ended 31 December 2018 and the year ending 31 December 2019 is less than RMB160,000,000:

(a) if the shortfall is less than RMB10,000,000, the Vendors shall compensate the Purchaser with the Financial Compensation which is equivalent to six times of the amount of the shortfall; and

(b) if the shortfall amounts to RMB10,000,000 or above, the Vendors shall compensate the Purchaser with the Financial Compensation which is equivalent to seven and a half times of the amount of the shortfall.

The abovementioned Financial Compensation shall be deducted directly from the Remaining Balance payable by the Purchaser to the Vendors. In the event that the Remaining Balance is insufficient for the deduction of the Financial Compensation, the Purchaser shall be entitled to instruct the Target Company to deduct the amount representing the excess of the Financial Compensation over the Remaining Balance from any rights and interests of the Vendors in the Target Company (including dividends and other distributions) and pay such amount directly to the Purchaser.

(ii) In the event that the 2018 Profit Guarantee is being satisfied but the Adjusted Audited Net Profit of the Target Group for the year ending 31 December 2019 is less than RMB80,000,000:

(a) if the shortfall is less than RMB10,000,000, the Vendors shall compensate the Purchaser with the Financial Compensation which is equivalent to six times of the amount of the shortfall; and

(b) if the shortfall amounts to RMB10,000,000 or above, the Vendors shall compensate the Purchaser with the Financial Compensation which is equivalent to seven and a half times of the amount of the shortfall.

The Purchaser is entitled to instruct the Target Company to deduct the abovementioned Financial Compensation from any rights and interests of the Vendors in the Target Company (including dividends and other distributions) and pay such amount directly to the Purchaser.

(iii) In the event that the aggregate audited revenue of the Target Group for the year ended 31 December 2018 and the year ending 31 December 2019 is less than RMB1,400,000,000, the Vendors shall compensate the Purchaser with the Financial Compensation which is equivalent to 10% of the shortfall. The Financial Compensation shall be deducted directly from the Remaining Balance payable by the Purchaser to the Vendors. In the event that (a) the Remaining Balance has already been paid pursuant to the Equity Transfer Agreement or (b) the Remaining Balance is insufficient for the deduction of the Financial Compensation, the Purchaser is entitled to instruct the Target Company to deduct the aforementioned Financial Compensation or the amount representing the excess of the Financial Compensation over the Remaining Balance from any rights and interests of the Vendors in the Target Company (including dividends and other distributions) and pay such amount directly to the Purchaser.

The Financial Compensation shall be due within 15 business days upon receipt of the original Auditors' Reports for the year ended 31 December 2018 and the year ending 31 December 2019 (as at the Latest Practicable Date, the Purchaser has received the original Auditors' Report for the year ended 31 December 2018, while the Auditors' Report for the year ending 31 December 2019 is expected to be available on or before 31 March 2020, or such other dates as agreed among the Parties in writing) and shall be settled by way of (i) set-off against the Remaining Balance payable by the Purchaser to the Vendors; and/or (ii) cash payment upon the instruction by the Purchaser to the Target Company to deduct such amount representing the excess of the Financial Compensation over the Remaining Balance from any rights and interests of the Vendors in the Target Company (including dividends and other distributions).

The multipliers of six times and seven and a half times used in computing the applicable Financial Compensation in connection with the financial performance of the Target Group for the year ended 31 December 2018 and for the year ending 31 December 2019 in items (i) and (ii) above were determined by the Purchaser and the Vendors with reference to the P/E Ratio of the Target Group of approximately 12.50 times based on (i) the price of 100% of the equity interests in the Target Group of RMB1,000,000,000 calculated with reference to the Consideration; and (ii) the 2018 Profit Guarantee and the 2019 Profit Guarantee of RMB80,000,000. The product of the relevant multiplier and net profit shortfall is intended to represent and estimate the decrease in the value of the Target Group as a result of the non-satisfaction of the 2018 Profit Guarantee and/or the 2019 Profit Guarantee with reference to the P/E Ratio of the Target Group of approximately 12.50 times. In order to maximize the protection afforded to the Group, a higher multiplier of seven and a half times will be applicable in the event that the shortfall amounts to RMB10,000,000 or above.

The ratio of 10% used in computing the applicable Financial Compensation in item (iii) above was determined by the Purchaser and the Vendors with reference to the net profit ratio of the Target Group of approximately 10% based on the audited consolidated financial statements of the Target Group for the year ended 31 December 2017.

As shown in the audited consolidated statement of profit or loss of the Target Group for the year ended 31 December 2018 as set out in in Appendix II to this circular, the Adjusted Audited Net Profit of the Target Group for the year ended 31 December 2018 was RMB86,462,000, which exceeded the 2018 Profit Guarantee, being RMB80,000,000. Nevertheless, Financial Compensation might still be payable by the Vendors to the Purchaser subject to the Adjusted Audited Net Profit of the Target Group for the year ending 31 December 2019, and the aggregate audited revenue of the Target Group for the year ended 31 December 2018 and the year ending 31 December 2019 (as the case may be).

For the sole purpose of preparing the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, an estimated Financial Compensation of RMB6,070,000 in cash payable by the Vendors to the Purchaser in respect of a shortfall in the Adjusted Audited Net Profit of the Target Group for the year ending 31 December 2019 was taken into account in the valuation of the fair value of the Consideration. For details of the aforementioned valuation, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular. The estimated Financial Compensation was made for the sole purpose of the valuation of the fair value of the Consideration in preparing the unaudited pro forma financial information of the Enlarged Group and the Board considers that it is premature to estimate whether the Aggregate Performance Guarantee could be met at this stage. Therefore, notwithstanding the abovementioned estimated Financial Compensation, after taking into account the factors relevant to the determination of the Consideration as set out in the section headed "Letter from the Board – The Acquisition – Equity Transfer Agreement – Consideration" above, the Board is of the view that the Consideration is fair and reasonable.

Further announcement(s) will be made by the Company in relation to whether the abovementioned performance guarantees are being satisfied by the Target Group as and when appropriate.

Changes to the Corporate Governance Structure

Pursuant to the Equity Transfer Agreement, the Vendors and the Target Company shall, within three days after signing of the Equity Transfer Agreement, take steps to effect the Changes to the Corporate Governance Structure, further details of which are set out below:

(i) the board of directors of the Target Company shall comprise five directors, whereby (a) three directors shall be nominated by the Purchaser; (b) two directors shall be nominated by the Vendors; and (c) one of the three directors nominated by the Purchaser shall assume the role of the chairman of the board of directors of the Target Company;

(ii) the supervisory committee of the Target Company shall comprise two supervisors, whereby (a) one supervisor shall be nominated by the Purchaser; and (b) one supervisor shall be nominated by the Vendors;

(iii) a new general manager, a new financial officer and an assistant to the general manager (who concurrently serves as the manager of the general management department) shall be appointed and approved by the board of directors of the Target Company;

(iv) the articles of association of the Target Company shall be amended or restated such that, among other things, (a) the number of directors of the Target Company shall be reduced from seven to five; and (b) the number of supervisors of the Target Company shall be increased from one to two; and

(v) the Purchaser and the Vendors shall jointly designate a representative to review and confirm the expenses of the Target Company, so as to ensure the reasonableness of the expenses and facilitate the realisation of the Aggregate Performance Guarantee.

The Changes to the Corporate Governance Structure have been approved by the shareholders of the Target Company. The Vendors and the Target Company are currently in the process of implementing the Changes to the Corporate Governance Structure.

Conditions Precedent

Completion of the Acquisition shall be subject to the satisfaction or, if applicable, waiver of the following Conditions Precedent:

(i) the representations and warranties made by the Vendors and the Target Company under the Equity Transfer Agreement remaining true, accurate and not misleading in all respects from the date of signing of the Equity Transfer Agreement up to the Completion Date;

(ii) the Vendors and the Target Company having complied with all the relevant undertakings and obligations under the Equity Transfer Agreement in all respects prior to the Completion Date;

(iii) each of the Purchaser and the Company having completed all the necessary internal procedures (including but not limited to the approval of the respective shareholder(s) and the board of directors required under the relevant laws and regulations, the articles of association and the Listing Rules) for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder;

(iv) each of the Purchaser and the Company having obtained all the necessary consents and approvals from all the relevant governmental departments or regulatory authorities (including but not limited to the Stock Exchange) in respect of the Equity Transfer Agreement and the transactions contemplated thereunder;

(v) the shareholders of the Target Company having passed resolutions for the following matters:

  (a) the approval of the transfer of the Target Interests from the Vendors to the Purchaser and the confirmation of the amount of paid-up capital of each of the Vendors to be transferred to the Purchaser;

  (b) the waiver of the pre-emptive rights of all existing shareholders of the Target Company in respect of the Acquisition; and

  (c) the approval of the Changes to the Corporate Governance Structure;

(vi) the Vendors and the Target Company having completed the Disposal of Assets in accordance with the instructions of the Purchaser;

(vii) the Purchaser having received (a) the audited consolidated financial statements of the Target Group for the period ended 30 June 2018 issued by an auditor appointed by the Purchaser; and (b) the consolidated management accounts of the Target Group for the period from 1 July 2018 to the last day of the month immediately preceding the Completion Date, and the net assets of the Target Group as shown in such financial statements being not less than RMB550,000,000;

(viii) the Purchaser having received evidence showing the bank balance of the Target Company as at the Completion Date being not less than RMB100,000,000;

(ix) the Purchaser having confirmed in writing of its participation in the operation and management of the Target Company;

(x) the Vendors and the Target Company having delivered the Takeover Documents to an employee of the Target Company designated by the Purchaser and the Purchaser having provided such confirmation in writing; and

(xi) the Target Company having completed the registration of change and/or filing procedures in respect of the Acquisition, the Changes to the Corporate Governance Structure and the relevant amendments to the articles of association of the Target Company and having provided the Notice of Approval of the Registration of Change.

Pursuant to the Equity Transfer Agreement, the Purchaser is entitled to waive any of the Conditions Precedent other than the Conditions Precedent set out in paragraphs (iii) and (iv) above, which relate to the necessary internal and regulatory approval to which the Purchaser and the Company are subject to and are not capable of being waived. The other Conditions Precedent set out in paragraphs (i) to (ii) and (v) to (xi) above are capable of being waived and are intended to provide flexibility for the Purchaser to implement the Acquisition despite the occurrence of minor issues or deviations that would not affect the substance of the Acquisition, and the Purchaser will not waive such Conditions Precedent to the extent that the substance of the Acquisition would be affected.

As at the Latest Practicable Date, Condition Precedent set out in paragraph (v) above has been satisfied.

As at the Latest Practicable Date, the Purchaser has received the Auditors' Report for the year ended 31 December 2018 as set out in Appendix II to this circular and according to which, the net assets of the Target Group as at 31 December 2018 was not less than RMB550,000,000. As such, the Purchaser intends to partially waive the Condition Precedent set out in paragraph (vii) above in respect of the audited consolidated financial statements of the Target Group for the period ended 30 June 2018 and the consolidated management accounts of the Target Group for the period from 1 July 2018 to 31 December 2018. Save as aforementioned, as at the Latest Practicable Date, the Purchaser had no present intention to waive any of the Conditions Precedent.

The Purchaser will only exercise its right to waive such Conditions Precedent if it is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Completion

Completion shall take place at the office of the Target Company, or at such other venue as the Purchaser and the Vendors may agree, within three business days after all the Conditions Precedent having been satisfied (or, if applicable, waived by the Purchaser), or on such other date as the Purchaser and the Vendors may agree.

On the Completion Date, the Purchaser shall pay the First Instalment to the Vendors (which shall be satisfied by set off against the Prepayment), and the Vendors shall deliver to the Purchaser the register of shareholders of the Target Company which shall reflect the shareholders and the shareholding structure of the Target Company upon Completion.

Dividend distribution

Pursuant to the Equity Transfer Agreement, the Purchaser undertakes that, among other things, commencing from the year of 2020, subject to the compliance with all relevant laws and regulations, the amount of dividends to be declared by the Target Company shall be determined by the Purchaser and the Vendors by negotiation based on the actual business conditions of the Target Group.

Equity interests in the Target Group

Pursuant to the Equity Transfer Agreement, the Vendors undertake to be solely liable for any dispute in connection with the equity interests in the Target Company, Fushun Shunda and Shenyang Ruida. In the event that the Purchaser, the Target Company, Fushun Shunda and/or Shenyang Ruida suffer any losses as a result of any such dispute, the Vendors shall, within 10 days after receipt of a written notice, pay compensation to the relevant parties. Further, in the case of losses of the Purchaser, the Purchaser shall be entitled to directly deduct an amount equivalent to its losses from any outstanding Consideration payable by the Purchaser, and in the case of losses of the Target Company, Fushun Shunda and/or Shenyang Ruida, the Purchaser shall be entitled to withhold an amount equivalent to the losses of the Target Company, Fushun Shunda and/or Shenyang Ruida from any outstanding Consideration payable by the Purchaser until the Vendors have paid the requisite compensation to the relevant parties.

Shenyang Finance Bureau Debt

Pursuant to the Equity Transfer Agreement, the Vendors undertake to be solely liable for the Shenyang Finance Bureau Debt, which resulted from the repayment by the Shenyang Finance Bureau of a loan owed by the Target Company to the World Bank Group, as well as all interest and default interest (if any) thereunder. In light of the recent development that the Shenyang Finance Bureau may provide a relief for the Shenyang Finance Bureau Debt in the principal amount of RMB5,877,652.77, the Parties agreed that:

(i) in the event that the Target Company receives the unconditional and irrevocable notice of relief in respect of the Shenyang Finance Bureau Debt from the Shenyang Finance Bureau, the Relieved Amount shall, after deducting the corporate income tax, other taxes and surcharges payable by the Target Company and subject to any specific use of the Relieved Amount designated by the Shenyang Finance Bureau as described in paragraph (ii) below, be paid to the Vendors; and

(ii) in the event that the Shenyang Finance Bureau designates any specific use of the Relieved Amount, the Target Company (a) shall act in accordance with the instructions of the Shenyang Finance Bureau; and (b) shall not be required to pay the Relieved Amount to the Vendors.

According to the final draft of the Audited Financial Statements, the Shenyang Finance Bureau Debt in the principal amount of RMB5,877,652.77 was accounted as liabilities of the Target Group. In the event of a relief provided by the Shenyang Finance Bureau without any designated specific use of the Relieved Amount, there will be a decrease in the liabilities of the Target Group as well as a corresponding decrease in the assets of the Target Group as a result of the payment of the Relieved Amount (after deducting relevant taxes) to the Vendors as described in paragraph (i) above. As such, it is expected that the abovementioned arrangement for the Shenyang Finance Bureau Debt shall have minimal impact on the financial position and the net assets of the Target Group.

Non-competition undertakings

Pursuant to the Equity Transfer Agreement, the Vendors undertake that, among other things:

(i) within 36 months after the date on which the Purchaser is registered as a shareholder of the Target Company with the relevant company registration authority, the Vendors shall not be engaged in any competing business which is identical with or similar to the business of the Target Group, and shall not assume any position, serve as a consultant or provide support or assistance (whether paid or unpaid) to any other companies which are in competition with the Target Group; and

(ii) in the event that the Vendors are in breach of the abovementioned non-competition undertakings, the Target Company shall be entitled to all proceeds arising from such breach and the Vendors shall pay to the Purchaser a liquidated damage which is equivalent to six times of all proceeds arising from such breach and shall be liable to compensate the Purchaser and the Target Group for any actual losses suffered by them.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established under the laws of the PRC with limited liability. The Target Group is principally engaged in the manufacturing of fire engines in the PRC with specialisation in aerial lifting fire trucks. As at the Latest Practicable Date, the Target Company is directly held as to 100% by the Vendors.

As at the Latest Practicable Date, the Target Group comprises three members, namely the Target Company, Fushun Shunda and Shenyang Ruida. Each of Fushun Shunda and Shenyang Ruida is a company established under the laws of the PRC with limited liability and is a direct wholly-owned subsidiary of the Target Company. Fushun Shunda and Shenyang Ruida are principally engaged in the manufacturing of parts and components of fire engines.

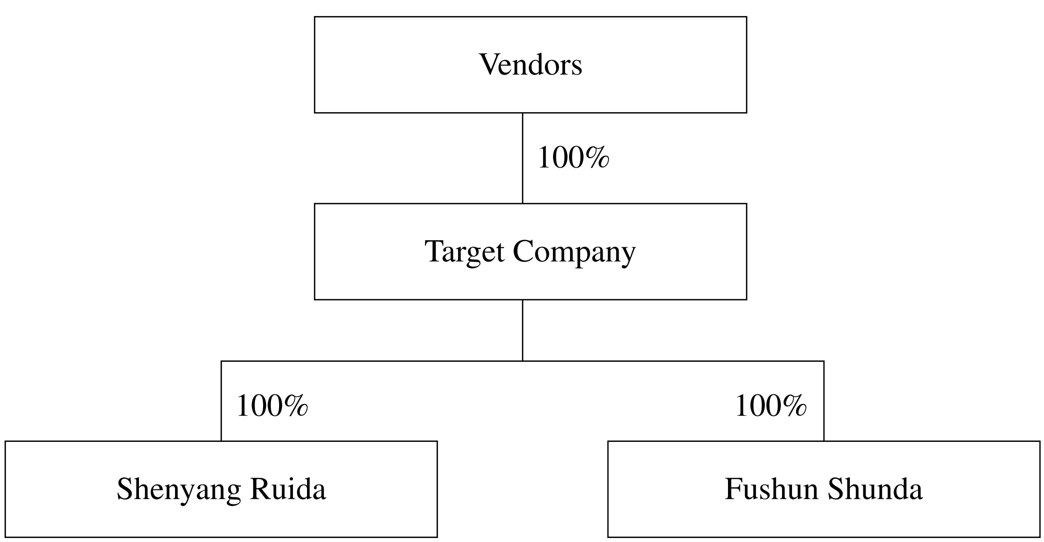
The product portfolio of the Target Group includes aerial lifting fire trucks including ladder trucks, jet spray fire trucks and multifunctional elevating platform fire trucks, heavy foam fire trucks, rescue trucks and water tankers. For the manufacturing of advanced high-value-added fire trucks such as aerial lifting fire trucks, the Target Group typically sources chassis from overseas suppliers and focuses on the design and manufacturing of those high-value-added fire trucks. For traditional fire trucks, the Target Group typically uses chassis jointly developed by the Target Group and other PRC-based suppliers. In addition to sourcing raw materials, parts and components from external suppliers, the Target Group also adopts a vertically integrated business model where it manufactures its own supply of parts and components of fire engines for the production of downstream products. The Target Group carries out the manufacturing of its products at its two factories situated in Shenyang. The manufacturing of a fire truck by the Target Group typically takes approximately three to six months, depending on the complexity of the technologies involved in the manufacturing process, and currently, the production capacity of the Target Group is approximately 500 fire trucks per year.

As part of the complete solutions, the Target Group also provides its customers with repairs and maintenance service. The Target Group conducts its research and development, manufacturing and sales activities, and generates all its revenue in the PRC. The customers of the Target Group are primarily PRC local governments and fire departments as well as state-owned enterprises and private corporations in the PRC. The Target Group primarily conducts the sales with its customers through direct selling and is planning to develop sales by distributorship arrangement.

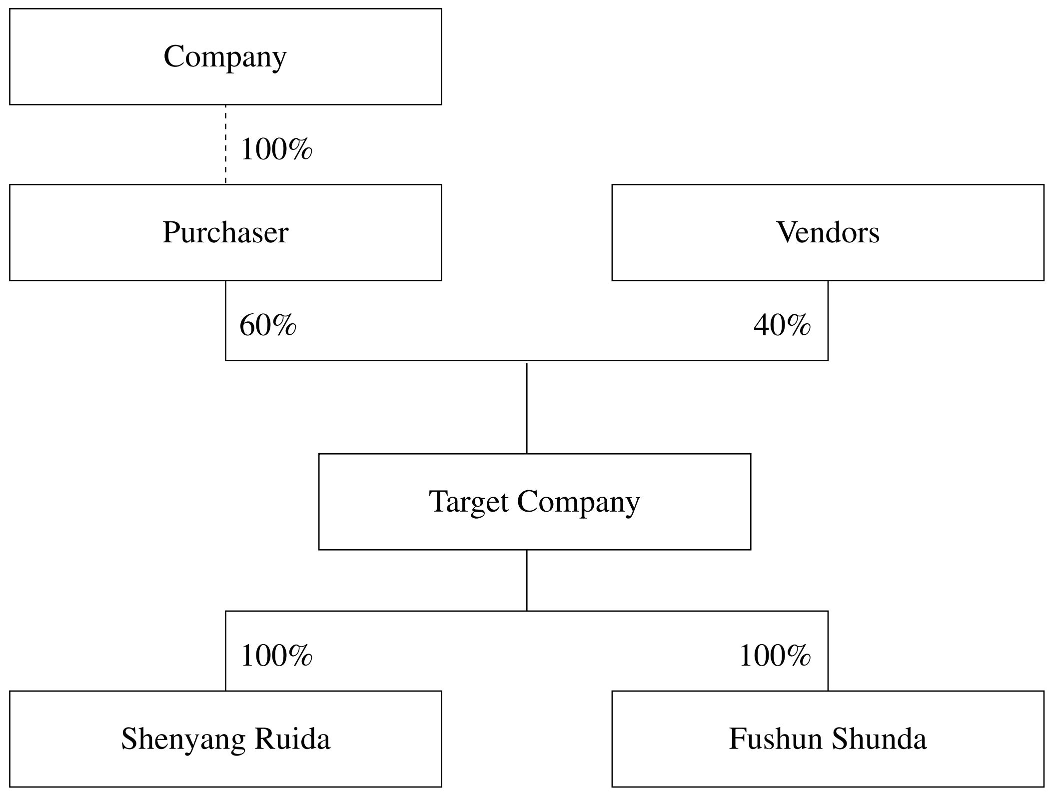
The Target Group will strive to achieve market expansion in the PRC by (i) strengthening its research and development on the design and manufacturing of new products; (ii) strengthening its sales team as well as developing sales by distributorship arrangement; and (iii) offering financial leasing options to PRC local government and fire department customers.

The Target Group will also further broaden its geographical market coverage in the wider Asia region by leveraging on the competitive pricing of its products. Further, leveraging on its specialisation in aerial lifting fire trucks, the Target Group will continue seeking to expand its market share by enhancing the research and development of other advanced high-value-added fire trucks which cater the market needs.

As at the Latest Practicable Date, the shareholding structure of the Target Group is as follows:



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



Financial information of the Target Group

Based on the consolidated financial statements of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards, the financial information of the Target Group for the two years ended 31 December 2017 and 2018 was approximately as follows:

	For the year ended 31 December 2017 (audited) *(RMB'000)*	**For the year ended 31 December 2018** (audited) *(RMB'000)*
Revenue	635,625	753,299
Profit before income tax	74,091	99,070
Profit and total comprehensive income for the year	61,656	86,462

The audited net asset value of the Target Group as at 31 December 2018 was approximately RMB779,705,000.

Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE VENDORS

The Vendors are seven individuals who are PRC residents and collectively hold 100% of the equity interests in the Target Company as at the Latest Practicable Date. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors is a director of the Target Company and is or was, prior to his retirement, the senior management of the Target Group. Further details of the respective current or former role in the Target Group and the respective interests in the Target Company of the Vendors as at the Latest Practicable Date are as follows:

(i) Mr. Chen Yuhua has been the General Manager and the legal representative of the Target Company since 2005. He has over 29 years of service with the Target Group and has over 40 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Chen Yuhua holds 34.70% of the equity interests in the Target Company. Immediately after Completion, Mr. Chen Yuhua will hold 13.88% of the equity interests in the Target Company.

(ii) Mr. Liu Jinggui has over 39 years of service with the Target Group and was the Head of the Technical Department of the Target Company prior to his retirement in 2013 and has subsequently been rehired by the Target Company to continue to work in the Technical Department of the Target Company. He has over 44 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Liu Jinggui holds 21.00% of the equity interests in the Target Company. Immediately after Completion, Mr. Liu Jinggui will hold 8.40% of the equity interests in the Target Company.

(iii) Mr. Wang Diansheng has been the Deputy General Manager of the Target Company since 2005. He has over 47 years of service with the Target Group and has over 47 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Wang Diansheng holds 14.00% of the equity interests in the Target Company. Immediately after Completion, Mr. Wang Diansheng will hold 5.60% of the equity interests in the Target Company.

(iv) Mr. Tang Zhenrong has over 40 years of service with the Target Group and was the person-in-charge of the Paint Department of the Target Company prior to his retirement in 2013 and has subsequently been rehired by the Target Company to continue to work in the Procurement Department of the Target Company. He has over 40 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Tang Zhenrong holds 8.50% of the equity interests in the Target Company. Immediately after Completion, Mr. Tang Zhenrong will hold 3.40% of the equity interests in the Target Company.

(v) Mr. Zhang Xuefeng has been the Deputy Head of the Quality Assurance Department of the Target Company since 2005. He has over 27 years of service with the Target Group and has over 27 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Zhang Xuefeng holds 8.50% of the equity interests in the Target Company. Immediately after Completion, Mr. Zhang Xuefeng will hold 3.40% of the equity interests in the Target Company.

(vi) Mr. Xu Defu has over 39 years of service with the Target Group and was the person-in-charge of the Assemble Department of the Target Company prior to his retirement in 2018 and has subsequently been rehired by the Target Company to continue to work in the Procurement Department of the Target Company. He has over 39 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Xu Defu holds 7.00% of the equity interests in the Target Company. Immediately after Completion, Mr. Xu Defu will hold 2.80% of the equity interests in the Target Company.

(vii) Mr. Wang Yongsheng has been the person-in-charge of the Assemble Department of the Target Company since 2005. He has over 27 years of service with the Target Group and has over 27 years of experience in the fire engine manufacturing industry. As at the Latest Practicable Date, Mr. Wang Yongsheng holds 6.30% of the equity interests in the Target Company. Immediately after Completion, Mr. Wang Yongsheng will hold 2.52% of the equity interests in the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors is a third party independent of the Company and its connected persons.

INFORMATION ON THE GROUP

Information on the Purchaser

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

Information on the Group

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The principal business of the Target Group, being the manufacturing of fire engines in the PRC with specialisation in aerial lifting fire trucks, is considered to be complementary to the Group's existing lines of business and would be a desirable natural expansion of the current business of the Group. As such, the Directors consider that the Acquisition is in line with the Group's business growth strategy through mergers and acquisitions of companies.

The Acquisition is expected to provide an excellent opportunity for the Group to strengthen its portfolio of fire engines and enlarge its geographical market coverage and production capacity for the following reasons:

(i) The Acquisition will strengthen the Group's portfolio of fire engines as the Target Group specialises in the manufacturing of a broad range of aerial lifting fire trucks including ladder trucks, jet spray fire trucks and multifunctional elevating platform fire trucks.

(ii) The Acquisition will enlarge the geographical market coverage of the Group in respect of the fire engines and fire-fighting equipment business (which currently covers primarily Southwest China) by tapping into the wider customer base of the Target Group which spans the entire PRC.

(iii) The Acquisition is also expected to boost the production capacity of the Group with the addition of the two factories of the Target Group situated in Shenyang. The Enlarged Group will also be able to make use of the unutilised production capacity of the two factories of the Target Group.

In addition, the Acquisition would allow the Group to have access to the Target Group's research and know-how, which the Group could leverage on to further accelerate the pace of its business development.

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

IMPLICATIONS UNDER THE LISTING RULES

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

EGM

The EGM will be convened and held at Empire Room I, 1/F, Empire Hotel Hong Kong – Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 14 June 2019 (Friday) at 3:00 p.m. for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had a material interest in the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and therefore, no Shareholder is required to abstain from voting at the EGM for the relevant resolution.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, which are determined after arm's length negotiations between the Company and the Vendors, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant resolution to be proposed at the EGM to approve the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM as set out on pages EGM-1 to EGM-3, which form part of this circular.

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

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

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinafire.com.cn/):

(1) annual report of the Company for the year ended 31 December 2016 published on 19 April 2017 (pages 39 to 115)
(http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0419/LTN20170419289.pdf)

(2) annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 43 to 111)
(http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427660.pdf)

(3) annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 54 to 201)
(http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN20190429375.pdf)

STATEMENT OF INDEBTEDNESS

Borrowings

As at 31 March 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the date of this circular, the Enlarged Group had outstanding borrowings of RMB907.15 million, which comprised:

(i) unsecured and unguaranteed bank borrowings of RMB260.41 million;

(ii) secured and unguaranteed bank borrowings of RMB175.00 million;

(iii) unsecured and guaranteed bank borrowings of RMB64.45 million;

(iv) unsecured and unguaranteed loans from related parties of RMB321.08 million; and

(v) unsecured and unguaranteed convertible bonds (liabilities portion) of RMB86.21 million.

Contingent liabilities

As at 31 March 2019, the Group had issued a letter of guarantee amounting to RMB1,908.23 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 March 2019, being the latest practicable date for determining indebtedness, the Enlarged Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities, nor any authorised or otherwise created but unissued debt securities.

Pursuant to an equity transfer agreement dated 19 October 2018 entered into by and among the Purchaser, the Company, Shanghai Jindun Fire-Fighting, Shanghai Jindun and Zhou Xiangyi (周象義), the Purchaser acquired the entire equity interests in Shanghai Jindun from Shanghai Jindun Fire-Fighting at the consideration of RMB381,800,000 (subject to deductions). The completion of the aforementioned acquisition took place on 29 April 2019 and Shanghai Jindun became a wholly-owned subsidiary of the Company. Save for (i) the resulting consolidation of the indebtedness of Shanghai Jindun and Shanghai Shundun Technology Co., Ltd.* (上海舜盾科技有限公司), a direct wholly-owned subsidiary of Shanghai Jindun, into the consolidated financial statements of the Group; and (ii) a bank loan of approximately RMB114.5 million borrowed for the payment of the first instalment of the consideration for the acquisition of Shanghai Jindun, the Directors confirm that there is no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 March 2019 up to the Latest Practicable Date.

WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

The Directors are of the opinion that, after due and careful enquiry, taking into account of the financial resources available to the Enlarged Group, including internally generated funds, existing bank and other borrowings and the available bank 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.

MATERIAL ADVERSE CHANGE

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

ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

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

(1) Pursuant to an equity transfer agreement dated 20 July 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司), the Purchaser is to acquire of 10% of the equity interests in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration and to assume the obligation of CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) to contribute RMB10,000,000 to the registered capital of Shenzhen CIMC Huijie

Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司). Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) is principally engaged in providing procurement service in respect of ancillary materials for production such as chemical materials, paint, engine oil etc., hazardous waste treatment and machinery repairing and maintenance services. The acquisition was completed in January 2019. Please refer to the announcements of the Company dated 20 July 2018 and 6 November 2018 and the circular of the Company dated 16 October 2018 for further details of the acquisition. As Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) was established in July 2018, its financial information for the year ended 31 December 2018 was not available as at the Latest Practicable Date.

(2) Pursuant to an equity transfer agreement dated 28 August 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司), the Purchaser is to acquire 5% of the equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration and to assume the obligation of CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) to contribute RMB10,000,000 to the registered capital of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司). Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. The acquisition was completed in January 2019. Please refer to the announcements of the Company dated 28 August 2018 and 6 November 2018 and the circular of the Company dated 16 October 2018 for further details of the acquisition. Please refer to the accountants' report on Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) as set out in Appendix IIB to the circular of the Company dated 16 October 2018 (pages IIB-1 to IIB-19) (http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1015/LTN20181015269.pdf) for the financial information of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) for the period from 22 March 2016 (being the date of its incorporation) to 31 December 2016, the year ended 31 December 2017 and for the six months ended 30 June 2018.

(3) Pursuant to an equity transfer agreement dated 19 October 2018 entered into by and among the Purchaser, the Company, Shanghai Jindun Fire-Fighting, Shanghai Jindun and Zhou Xiangyi (周象義) in respect of the acquisition by the Purchaser of the entire equity interests in Shanghai Jindun from Shanghai Jindun Fire-Fighting at the consideration of RMB381,800,000 (subject to deductions). Shanghai Jindun is principally engaged in the research and development, manufacturing and sales of fire engines and firefighting equipment. Completion of the acquisition took place on 29 April 2019. Please refer to the announcements of the Company dated 19 October 2018 and 30 April 2019 and the circular of the Company dated 25 March 2019 for further details of the acquisition. Please refer to the accountants' report of Shanghai Jindun and Shanghai Shundun Technology Co., Ltd.* (上海舜盾科技有限公司), a direct wholly-owned subsidiary of Shanghai Jindun, as set out in Appendix II to the circular of the Company dated 25 March 2019 (pages II-1 to II-64) (http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0324/LTN20190324049.pdf) for the financial information of Shanghai Jindun for the three years ended 31 December 2017 and the ten months ended 31 October 2018.

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

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

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

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

(i) the profit attributable to owners of the Company for the year ended 31 December 2018 would have increased by approximately RMB56,844,000, from approximately RMB165,403,000 to approximately RMB222,247,000, assuming Completion had taken place on 1 January 2018;

(ii) the total assets of the Group as at 31 December 2018 would have increased by approximately RMB1,099,264,000, from approximately RMB5,901,010,000 to approximately RMB7,000,274,000, assuming Completion had taken place on 31 December 2018; and

(iii) the total liabilities of the Group as at 31 December 2018 would have increased by approximately RMB840,677,000, from approximately RMB2,878,681,000 to approximately RMB3,719,358,000, assuming Completion had taken place on 31 December 2018.

For further details of the financial effects of the Acquisition and the restatement of the comparative figures for the year ended 31 December 2018 as described in paragraph (i)(ii)(iii) above, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

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

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

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

(3) logistics (baggage, material and warehouse handling systems, "**MHS**") which comprise systems for sorting, handling and transportation and storing and retrieval of different types of baggage, cargo and goods and materials; and

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

For the PBB business, the Group ranked the second largest supplier of passenger boarding bridges in the world in terms of revenue in 2016 and occupied over 90% market share in China. To maintain its leading position, the Group is dedicated to (i) expand its after-sales services team including setting up new service centres in Europe and the Middle East to capture the market share in the growing after-sales services market, particularly the bridge renovation business; (ii) extend the value chain by providing other equipment such as pre-conditioned air units; and (iii) develop new value-added products such as the Smart Bridge System and Visual Docking Guidance System (VDGS), which were designed to guide the aircraft docking and the connection of passengers boarding bridges to aircraft doors automatically with no manual intervention so as to enhance the reliability and to save labour costs in airport operations.

For the APS business, the Group's mechanical intelligent stereo bus parking system (機械式智慧公交車立體停車庫) and the technology of multifunctional station of electric bus parking system (新能源大巴立體停車綜合場站技術), which is initiated and designed by the Group to solve the land cost problem for public bus parking, is expected to deliver value to the Group soon and bring the Group momentum for further growth.

Since the Group acquired the sorting devices technology in 2017, there was big advancement in technological standards and market position of the Group's MHS business in the different fields which involves the sorting and handling of millions of parcels, such as airport baggage and cargo handling . The Group's automated warehousing system which allows the stacking, shelving, sorting, retrieving and delivery in a warehouse all made automatic through an intelligent management system, has successfully been applied to enterprises in different industries including pharmacy, e-commerce, home decorations and furniture, chemicals, food and cold chain. The broadened market coverage has brought the Group big potential for further revenue and profit advancement.

To speed up the development of the fire engines and equipment business, the Group has been powering up its product development capability and extending its geographical range through strengthening its internal development function and acquisitions. Upon completion of the Acquisition, in addition to the enlarged market, production capacity and product variety, it is anticipated that the technological know-how obtained from the Target Group, which is principally engaged in the manufacturing of fire engines and in the PRC with specialisation in aerial lifting fire trucks, would complement the Group's product development.

Besides, to seize the potential market arising from the possible massive upgrade and replacement of airport fire engines in China in the coming years, the Enlarged Group will continue to speed up its development of the airport rapid mobilization fire trucks, which are designed with rapid speed acceleration to tackle fire on aircrafts running at high speed. Research has also been conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularization and product standardization, in order to enhance manufacturing efficiency and reduce costs of production. All of the Group's fire engines manufactured since the second half of 2018 have installed the Vehicles Network Management System, through which real-time operational data of the fire engines will be transmitted and stored in a server through Internet of Things (IoT). Customers and the Group's customer service teams, through back office data analysis, can obtain the latest information about the location and operational condition of the fire engines for efficient management of the fire engines.

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

Set out below is the text of a report received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

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

Introduction

We report on the historical financial information of Shenyang Jietong Fire Truck Company Limited (the "Target Company") and its subsidiaries (together the "Target Group") set out on pages II-3 to II-44, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2016, 2017 and 2018 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-3 to II-44 forms an integral part of this report, which has been prepared for inclusion in the circular of CIMC-TianDa Holdings Company Limited (the "Company") dated 24 May 2019 (the "Circular") in connection with the proposed acquisition of the 60% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the 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 accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 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 accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2016, 2017 and 2018, the Target Group's consolidated financial position as at 31 December 2016, 2017 and 2018 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

BDO Limited
Certified Public Accountants
Chan Tsz Hung
Practising Certificate no. P06693

Hong Kong
24 May 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The financial statements of the Target Group for the Track Record Period (also referred to as the "Relevant Periods"), on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements") and were audited by BDO Limited.

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

I. HISTORICAL FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	7	628,145	635,625	753,299
Cost of sales		(450,766)	(437,785)	(506,668)
Gross profit		177,379	197,840	246,631
Other income	7	3,227	5,169	5,082
Selling and distribution expenses		(15,181)	(20,999)	(30,237)
Administrative expenses		(91,839)	(99,014)	(112,508)
Other operating expenses		(359)	(856)	(536)
Finance costs	8	(9,782)	(8,049)	(9,362)
Profit before income tax	9	63,445	74,091	99,070
Income tax	11	(11,450)	(12,435)	(12,608)
Profit and total comprehensive income for the year		51,995	61,656	86,462

Consolidated Statements of Financial Position

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	13	269,654	251,164	232,482
Prepaid lease for land	14	51,838	50,601	49,364
Prepayments	17	–	272	–
Total non-current assets		321,492	302,037	281,846
Current assets				
Inventories	15	181,472	177,314	277,787
Trade receivables	16	368,771	400,425	450,207
Other receivables, deposits and prepayments	17	139,678	132,852	94,286
Cash and bank balances	30	154,739	81,681	107,353
Total current assets		844,660	792,272	929,633
Current liabilities				
Trade payables	18	154,869	86,353	68,696
Other payables, accruals and contract liabilities	19	172,636	130,642	161,544
Borrowings	20	169,000	–	154,000
Income tax payable		13,388	6,733	4,530
Total current liabilities		509,893	223,728	388,770
Net current assets		334,767	568,544	540,863
Total assets less current liabilities		656,259	870,581	822,709
Non-current liabilities				
Other payables	19	24,672	23,338	22,004
Borrowings	20	–	154,000	21,000
Total non-current liabilities		24,672	177,338	43,004
Net assets		631,587	693,243	779,705
Equity attributable to equity owners of the Target Company				
Paid-up capital	21	20,000	20,000	20,000
Reserves	21	611,587	673,243	759,705
Total equity		631,587	693,243	779,705

Consolidated Statements of Changes in Equity

	Paid-up capital *RMB'000* *(Note 21)*	Capital reserve *RMB'000* *(Note 21)*	Statutory surplus reserve *RMB'000* *(Note 21)*	Retained earnings *RMB'000* *(Note 21)*	Total equity *RMB'000*
At 1 January 2016	20,000	45,631	27,558	486,403	579,592
Profit and total comprehensive income for the year	–	–	–	51,995	51,995
Transfer to statutory surplus reserve	–	–	1,215	(1,215)	–
At 31 December 2016 and 1 January 2017	20,000	45,631	28,773	537,183	631,587
Profit and total comprehensive income for the year	–	–	–	61,656	61,656
Transfer to statutory surplus reserve	–	–	8	(8)	–
At 31 December 2017 and 1 January 2018	20,000	45,631	28,781	598,831	693,243
Profit and total comprehensive income for the year	–	–	–	86,462	86,462
Transfer to statutory surplus reserve	–	–	13	(13)	–
At 31 December 2018	20,000	45,631	28,794	685,280	779,705

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	63,445	74,091	99,070
Adjustments for:			
Interest income	(569)	(765)	(570)
Finance costs	9,782	8,049	9,362
Amortisation of prepaid lease for land	1,237	1,237	1,237
Depreciation of property, plant and equipment	21,486	22,679	23,160
Loss/(gain) on disposal of property, plant and equipment	1	(323)	45
Government grants	(1,809)	(2,284)	(1,859)
Bad debts written off	–	–	291
Impairment losses/(impairment loss reversal) on trade receivables	356	499	(1,041)
Operating profit before working capital changes	93,929	103,183	129,695
(Increase)/decrease in inventories	(16,999)	4,158	(100,473)
Increase in trade receivables	(26,957)	(32,153)	(49,032)
Decrease in deposits, prepayments and other receivables	7,050	6,554	38,838
Decrease in trade payables	(9,184)	(68,516)	(17,657)
Increase/(decrease) in other payables, accruals and contract liabilities	48,577	(41,994)	30,902
Cash generated from/(used in) operations	96,416	(28,768)	32,273
Income tax paid	(6,356)	(19,090)	(14,811)
Net cash generated from/(used in) operating activities	90,060	(47,858)	17,462
Cash flows from investing activities			
Purchase of property, plant and equipment	(17,565)	(4,456)	(4,863)
Proceeds from sale of property, plant and equipment	1,460	590	340
Proceeds from government grants	1,000	950	525
Interest received	569	765	570
Net cash used in investing activities	(14,536)	(2,151)	(3,428)

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities			
Proceed from borrowings	17,900	254,000	25,300
Repayment of borrowings	(17,900)	(269,000)	(4,300)
Interest paid	(9,782)	(8,049)	(9,362)
Net cash (used in)/generated from financing activities	(9,782)	(23,049)	11,638
Net increase/(decrease) in cash and cash equivalents	65,742	(73,058)	25,672
Cash and cash equivalents at beginning of year	88,997	154,739	81,681
Cash and cash equivalents at end of year	154,739	81,681	107,353
Analysis of cash and cash equivalents balances			
Cash and bank balances	154,739	81,681	107,353

Statements of Financial Position of the Target Company

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	13	172,182	161,169	149,862
Investments in subsidiaries	28	35,010	55,000	55,000
Prepaid lease for land	14	25,045	24,478	23,911
Prepayments	17	–	272	–
Total non-current assets		232,237	240,919	228,773
Current assets				
Inventories	15	170,379	147,244	238,245
Trade receivables	16	334,371	397,840	450,207
Other receivables, deposits and prepayments	17	134,612	127,392	88,704
Amount due from a subsidiary	28	40,981	–	–
Cash and bank balances	30	151,679	75,886	107,040
Total current assets		832,022	748,362	884,196
Current liabilities				
Trade payables	18	116,935	44,930	30,988
Other payables, accruals and contract liabilities	19	165,942	124,649	153,926
Borrowings	20	169,000	–	154,000
Amount due to a subsidiary	28	12,730	15,951	17,838
Income tax payable		8,885	5,535	2,994
Total current liabilities		473,492	191,065	359,746
Net current assets		358,530	557,297	524,450
Total assets less current liabilities		590,767	798,216	753,223
Non-current liabilities				
Other payables	19	17,307	16,903	16,499
Borrowings	20	–	154,000	21,000
Total non-current liabilities		17,307	170,903	37,499
Net assets		573,460	627,313	715,724
Equity attributable to equity owners of the Target Company				
Paid-up capital	21	20,000	20,000	20,000
Reserves	21	553,460	607,313	695,724
Total equity		573,460	627,313	715,724

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the PRC as a limited liability company on 7 January 1974 and directly held as to 100% by seven individuals. Its registered office is located at No. 67, Pucang Road, Shenbei New Zone, Shenyang City, the PRC.

The Target Company is engaged in manufacturing and sales of fire engines and aerial lifting fire trucks in the PRC. Details of the activities of its subsidiaries are set out in Note 28.

2. BASIS OF PREPARATION AND PRESENTATION

(a) Statement of compliance

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conforms with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards ("HKASs") and related Interpretations, promulgated by the HKICPA. In addition, the Historical Financial Information includes applicable disclosure requirement by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued a number of new and revised HKFRS. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised HKFRSs effective for the accounting period commencing from 1 January 2018 throughout the Relevant Periods, except for any new or revised standards or interpretations that are not yet effective for and have not been early adopted by the Target Group, details of which are set out in Note 3.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost basis.

(c) Functional and presentation currency

The functional currency of the Target Company is Renminbi ("RMB"), which is also the presentation currency. All financial information presented in RMB has been rounded to the nearest thousand (RMB'000) except otherwise stated.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The following new/revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The Target Group has already commenced an assessment of the impact of these new and revised HKFRSs. The directors of the Target Company anticipate that the application of new and revised HKFRSs will have no material impact on the result and the financial position of the Target Group except as described below:

Annual Improvements 2015-2017 Cycle – Amendments to HKFRS 3 Business Combinations

The amendment clarifies that a company remeasures its previously held interest in a joint operation that is a business when it obtains control of the business. Paragraph 42A is added to clarify this requirement.

Annual Improvements 2015-2017 Cycle – Amendments to HKAS 12 Income Tax

The amendment clarifies that a company accounts for all income tax consequences of dividend payments in the same way as the entity recognised the originating transaction or event that generated the distributable profit giving rise to the dividend. Paragraph 57A to HKAS 12 is added to clarify this point.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to HKAS 23 Borrowing Costs

The amendment clarifies that when a qualifying asset is ready for its intended use or sale and (some of) the related specific borrowing remains outstanding, that borrowing is treated as general borrowings. Paragraph 14 of HKAS 23 is amended to convey this principle.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 – Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 23 below, the Target Group has no operating lease commitment at the end of each of the Relevant Periods. The directors of the Target Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Target Group's financial performance but it is expected that the Target Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Target Group's consolidated statement of financial position as right-of-use assets and lease liabilities, if the Target Group enters into leases in the future. The Target Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Target Group's consolidated statement of cash flows.

HK (IFRIC)-Interpretation 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the financial statements of the Target Company and its subsidiaries made up to 31 December each year. Subsidiaries are entities over which the Target Group has control. The Target 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 Target Group has power over an entity when the Target 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 Target 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 Target 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 Target 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 Target Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Target 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 Target Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Target 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 Target Company.

In the Target 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 Target Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Target 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 Target 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 Target 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) 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 Target 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 and leasehold improvements	Over the term of the lease or 50 years
Plant and machinery	5-10 years
Motor vehicles	3-5 years
Furniture, fixtures and office equipment	3-5 years

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.

(d) Lease

Prepaid land lease payments are stated at cost and subsequently amortised on straight-line basis over the remaining term of lease.

(e) 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; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

(f) 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.

(g) Financial assets

Classification

The Target Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Target Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method.

- The Target Group had no equity instruments during the Relevant Periods.

Impairment of financial assets

The Target Group's debt instruments carried at amortised cost including trade receivables and other receivables and deposits are subject to HKFRS 9's expected credit losses ("ECLs") model.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

(i) Significant increase in credit risk

The following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant changes in financial support from parent or group companies.

On top of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 1 year past due.

(ii) Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

(iii) Credit-impaired financial assets

At each reporting date, the Target Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(iv) Measurement and recognition of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follow:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Group expects to receive); and

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

(v) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate.

Any recoveries made are recognised in profit or loss.

Derecognition

The Target Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Target Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(h) 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 Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) 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 Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(j) 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.

(k) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(l) 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 Target Group's cash management are also included as a component of cash and cash equivalents.

(m) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Target Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates or enhances an asset that the customer controls as the Target Group performs; or

- does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Target Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of fire trucks

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 90-180 days.

Some of the Target Group's contracts with customers from the sale of product provides standard warranty service for defective goods to assure that the product sold complies with the agreed-upon specifications within 12 months following the date of delivery. The warranty gives rise to a separate performance obligation if a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Therefore, an entity shall allocate the transaction price to the product and the service.

(ii) Other revenue

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Repairs and maintenance service income is recognised when services are rendered.

(n) 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 Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target 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 Target Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

(o) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Government grants

A government grant is recognised when there is reasonable assurance that the Target 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 Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(q) Income tax

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 Target 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 Target 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 Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(r) 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.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 Target Group determines the estimated useful lives, residual values and related depreciation charges for the Target 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 Target 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, 2017 and 2018 was RMB269,654,000, RMB251,164,000 and RMB232,482,000 respectively.

(b) Income taxes

The Target Group is subject to income taxes in the PRC. 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 years ended 31 December 2016, 2017 and 2018, income tax of RMB11,450,000, RMB12,435,000 and RMB12,608,000 was charged to profit or loss based on the estimated profit for the year respectively.

(c) Impairment assessment for trade receivables

The policy for impairment of trade receivables of the Target Group is based on the evaluation of collectability and aging analysis of trade receivables as well as other quantitative and qualitative information and calculated the lifetime ECLs based on historical credit loss experience, and on management's judgement and assessment of the forward-looking information. Significant judgement and estimates is required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

(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, 2017 and 2018, no allowance for obsolete and slow-moving inventories was made.

6. SEGMENT INFORMATION

For management purposes, the Target Group has only one reportable operating segment which is sales of fire trucks. Since this is the only reportable operating segment of the Target Group, no further operating segment analysis thereof is presented.

(a) Geographical information

For the years ended 31 December 2016, 2017 and 2018, the Target Group's revenue from external customers is derived solely from its operations in the PRC (place of domicile), where all of the Target Group's non-current assets are located in the PRC.

The geographical location of external customers is based on the location at which the goods are delivered and services rendered. Geographical location of non-current assets is based on the physical locations of the respective assets.

(b) Information about major customers

There was no customer, from whom the revenue generated accounted for 10% or more of the Target Group's revenue for each of the year of the Relevant Periods.

7. REVENUE AND OTHER INCOME

An analysis of revenue from the Target Group's principal activities and disclosure of disaggregated revenue during the Relevant Periods, is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sales of fire trucks recognised at point in time	628,145	635,625	753,299
Repairs and maintenance service income recognised over time (included in other income)	829	1,650	1,483
Revenue			
Sales of fire trucks	628,145	635,625	753,299
Other income			
Government grants	1,809	2,284	1,859
Interest income from bank deposits	569	765	570
Repairs and maintenance service income	829	1,650	1,483
Reversal of impairment loss recognised on trade receivables	–	–	1,041
Gain on disposal of property, plant and equipment	–	323	–
Sundry income	20	147	129
	3,227	5,169	5,082

All the customers for revenue from sales of trucks are located in the PRC during the Relevant Periods.

The following table provides information about trade receivables and contract liabilities from contract with customers.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	368,771	400,425	450,207
Contract liabilities	158,446	111,359	119,860

8. FINANCE COSTS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	9,782	8,049	9,362

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	450,766	437,785	506,668
Auditor's remuneration	75	88	115
Amortisation of prepaid lease for land	1,237	1,237	1,237
Depreciation of property, plant and equipment	21,486	22,679	23,160
Research and development costs recognised as expenses	30,366	33,134	36,843
Impairment losses/(reversal of impairment loss) recognised on trade receivables	356	499	(1,041)
Bad debts written off	–	–	291
Loss/(gain) on disposal of property, plant and equipment	1	(323)	45
Staff costs (including directors' remuneration)			
Salaries and other benefits	41,836	47,733	76,400
Retirement benefit schemes contributions	14,720	15,225	21,112
Staff benefit and welfare	5,938	4,615	7,803
	62,494	67,573	105,315

10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Company (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (the Regulation) are as follows:

Year ended 31 December 2016	**Fees**	**Salaries and other benefits**	**Retirement benefit schemes contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Mr. Chen Yuhua	–	1,414	436	1,850
Mr. Liu Jinggui	–	129	–	129
Mr. Wang Diansheng	–	768	–	768
Mr. Tang Zhenrong	–	147	–	147
Mr. Zhang Xuefeng	–	141	45	186
Mr. Xu Defu	–	116	37	153
Mr. Wang Yongsheng	–	162	50	212
	–	2,877	568	3,445

Year ended 31 December 2017	**Fees**	**Salaries and other benefits**	**Retirement benefit schemes contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Mr. Chen Yuhua	–	1,614	490	2,104
Mr. Liu Jinggui	–	121	–	121
Mr. Wang Diansheng	–	875	–	875
Mr. Tang Zhenrong	–	121	–	121
Mr. Zhang Xuefeng	–	148	47	195
Mr. Xu Defu	–	125	39	164
Mr. Wang Yongsheng	–	175	53	228
	–	3,179	629	3,808

Year ended 31 December 2018	Fees	Salaries and other benefits	Retirement benefit schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Mr. Chen Yuhua	–	1,754	531	2,285
Mr. Liu Jinggui	–	121	38	159
Mr. Wang Diansheng	–	1,170	–	1,170
Mr. Tang Zhenrong	–	121	–	121
Mr. Zhang Xuefeng	–	151	55	206
Mr. Xu Defu	–	116	36	152
Mr. Wang Yongsheng	–	175	62	237
	–	3,608	722	4,330

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Target Group to any director as an inducement to join or upon joining the Target Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the Relevant Periods included three directors (2017 and 2016: two) of the Target Company whose emoluments during the years ended 31 December 2016, 2017 and 2018 are reflected in the analysis presented above.

Emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	836	587	632
Retirement benefit schemes contributions	257	177	217
	1,093	764	849

The emoluments of the remaining highest paid individuals are as follows:

	Number of individuals Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
RMB Nil to RMB500,000	3	3	2

11. INCOME TAX

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
– PRC income tax	11,450	12,435	12,608

The Target Company carries on business as a high technology enterprise and is entitled to enjoy the PRC enterprise income tax of 15% during the Relevant Periods.

PRC enterprise income tax rate of 25% is applied to the Target Group's other operating subsidiaries in the PRC.

(b) Income tax for the year can be reconciled to the accounting profit as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	63,445	74,091	99,070
Notional tax on profit before income tax, calculated at the applicable tax rate	15,861	18,523	24,768
Tax effect of non-taxable income	(1,049)	(798)	(2,605)
Tax effect of non-deductible expenses	928	1,081	900
Tax benefit	(4,290)	(6,371)	10,455)
Income tax charge for the year	11,450	12,435	12,608

No deferred tax has been recognised in the Historical Financial Information due to the unpredictability of future profit streams.

(c) The Target Group had no significant deferred tax assets or liabilities at the end of each of the Relevant Periods.

12. DIVIDENDS AND EARNINGS PER SHARE

No dividend was declared nor paid during the Relevant Periods.

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Buildings and leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2016	256,101	64,243	14,067	1,889	336,300
Additions	–	16,715	1,686	576	18,977
Disposals	–	(2,923)	(245)	–	(3,168)
At 31 December 2016 and 1 January 2017	256,101	78,035	15,508	2,465	352,109
Additions	938	346	2,521	651	4,456
Disposals	–	–	(4,047)	–	(4,047)
At 31 December 2017 and 1 January 2018	257,039	78,381	13,982	3,116	352,518
Transfers	–	95	–	(95)	–
Additions	–	3,202	1,355	306	4,863
Disposals	–	(458)	(1,665)	(587)	(2,710)
At 31 December 2018	257,039	81,220	13,672	2,740	354,671
Accumulated depreciation:					
At 1 January 2016	24,780	25,706	10,805	1,385	62,676
Charge for the year	12,165	7,657	1,342	322	21,486
Disposals	–	(1,474)	(233)	–	(1,707)
At 31 December 2016 and 1 January 2017	36,945	31,889	11,914	1,707	82,455
Charge for the year	12,176	8,571	1,564	368	22,679
Disposals	–	–	(3,780)	–	(3,780)
At 31 December 2017 and 1 January 2018	49,121	40,460	9,698	2,075	101,354
Transfer	–	52	–	(52)	–
Charge for the year	12,209	8,274	2,180	497	23,160
Disposals	–	(186)	(1,581)	(558)	(2,325)
At 31 December 2018	61,330	48,600	10,297	1,962	122,189
Carrying amount:					
At 31 December 2018	195,709	32,620	3,375	778	232,482
At 31 December 2017	207,918	37,921	4,284	1,041	251,164
At 31 December 2016	219,156	46,146	3,594	758	269,654

The Target Group's buildings in the amount of RMB187,543,000, RMB179,941,000 and RMB169,321,000 as at 31 December 2016, 2017 and 2018 respectively were pledged as security for the bank borrowings and banking facilities as set out in Note 20.

The Target Company

	Buildings and leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2016	158,462	36,329	11,642	1,539	207,972
Additions	–	10,298	1,686	558	12,542
Disposals	–	–	(245)	–	(245)
At 31 December 2016 and 1 January 2017	158,462	46,627	13,083	2,097	220,269
Additions	938	279	2,521	529	4,267
Disposals	–	–	(4,047)	–	(4,047)
At 31 December 2017 and 1 January 2018	159,400	46,906	11,557	2,626	220,489
Additions	–	2,814	1,355	269	4,438
Disposals	–	(291)	(1,665)	(578)	(2,534)
At 31 December 2018	159,400	49,429	11,247	2,317	222,393
Accumulated depreciation:					
At 1 January 2016	6,732	17,847	8,578	1,144	34,301
Charge for the year	7,527	4,997	1,265	230	14,019
Disposals	–	–	(233)	–	(233)
At 31 December 2016 and 1 January 2017	14,259	22,844	9,610	1,374	48,087
Charge for the year	7,538	5,569	1,564	342	15,013
Disposals	–	–	(3,780)	–	(3,780)
At 31 December 2017 and 1 January 2018	21,797	28,413	7,394	1,716	59,320
Charge for the year	7,571	5,250	2,180	460	15,461
Disposals	–	(120)	(1,581)	(549)	(2,250)
At 31 December 2018	29,368	33,543	7,993	1,627	72,531
Carrying amount:					
At 31 December 2018	130,032	15,886	3,254	690	149,862
At 31 December 2017	137,603	18,493	4,163	910	161,169
At 31 December 2016	144,203	23,783	3,473	723	172,182

The Target Company's buildings in the amount of RMB137,097,000, RMB129,925,000 and RMB122,752,000 as at 31 December 2016, 2017 and 2018 respectively were pledged as security for the bank borrowings and banking facilities as set out in Note 20.

14. PREPAID LEASE FOR LAND

The Target Group

	RMB'000
Cost:	
At 1 January 2016, 31 December 2016, 31 December 2017 and 31 December 2018	61,858
Accumulated amortisation:	
At 1 January 2016	7,546
Charge for the year	1,237
At 31 December 2016 and 1 January 2017	8,783
Charge for the year	1,237
At 31 December 2017 and 1 January 2018	10,020
Charge for the year	1,237
At 31 December 2018	11,257
Carrying amount:	
At 31 December 2018	50,601
Portion classified as current assets (included in other receivables, deposits and prepayment)	(1,237)
Non-current assets	49,364
At 31 December 2017	51,838
Portion classified as current assets (included in other receivables, deposits and prepayment)	(1,237)
Non-current assets	50,601
At 31 December 2016	53,075
Portion classified as current assets (included in other receivables, deposits and prepayment)	(1,237)
Non-current assets	51,838

The Target Group's prepaid lease for land in the amount of RMB53,075,000, RMB51,838,000 and RMB50,601,000 as at 31 December 2016, 2017 and 2018 respectively were pledged as security for the bank borrowings and banking facilities as set out in Note 20.

The Target Company

	RMB'000
Cost:	
At 1 January 2016, 31 December 2016, 31 December 2017, and 31 December 2018	28,350
Accumulated amortisation:	
At 1 January 2016	2,171
Charge for the year	567
At 31 December 2016 and 1 January 2017	2,738
Charge for the year	567
At 31 December 2017 and 1 January 2018	3,305
Charge for the year	567
At 31 December 2018	3,872
Carrying amount:	
At 31 December 2018	24,478
Portion classified as current assets (included in other receivables, deposits and prepayment)	(567)
Non-current assets	23,911
At 31 December 2017	25,045
Portion classified as current assets (included in other receivables, deposits and prepayment)	(567)
Non-current assets	24,478
At 31 December 2016	25,612
Portion classified as current assets (included in other receivables, deposits and prepayment)	(567)
Non-current assets	25,045

The Target Company's prepaid lease for land in the amount of RMB25,612,000, RMB25,045,000 and RMB24,478,000 as at 31 December 2016, 2017 and 2018 respectively were pledged as security for the bank borrowings and banking facilities as set out in Note 20.

15. INVENTORIES

The Target Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	104,193	75,580	65,500
Work-in-progress	77,279	101,734	212,287
	181,472	177,314	277,787

The Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	103,273	67,289	49,515
Work-in-progress	67,106	79,955	188,730
	170,379	147,244	238,245

16. TRADE RECEIVABLES

The Target Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	370,466	402,619	451,360
Less: impairment losses	(1,695)	(2,194)	(1,153)
	368,771	400,425	450,207

The Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	336,066	400,034	451,360
Less: impairment losses	(1,695)	(2,194)	(1,153)
	334,371	397,840	450,207

Trade receivables of the Target Group and Target Company represented proceeds receivable from sale of goods. The Target Group's trading terms with its customers are mainly on credit. The credit periods generally range from 30 to 180 days for major customers. Each customer has a maximum credit limit. The Target Group and Target Company seeks to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Group and Target Company does not hold any collateral or other credit enhancements over its trade receivable balance.

(a) Aged analysis of trade receivables based on the transaction date as of the end of each of the Relevant Periods is as follows:

The Target Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	207,240	205,257	192,804
91-180 days	36,627	53,788	71,918
181-270 days	29,669	14,501	80,643
271-360 days	17,739	17,023	59,874
Over 1 year	77,496	109,856	44,968
	368,771	400,425	450,207

The Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	172,840	202,786	192,804
91-180 days	36,627	53,788	71,918
181-270 days	29,669	14,501	80,643
271-360 days	17,739	17,023	59,874
Over 1 year	77,496	109,742	44,968
	334,371	397,840	450,207

(b) Movements in the provision for impairment of trade receivables are as follows:

The Target Group and the Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	1,339	1,695	2,194
Impairment losses recognised	356	499	–
Reversal of impairment loss previously recognised	–	–	(1,041)
At 31 December	1,695	2,194	1,153

The Target Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The Target Group considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the Track Record Period, the expected credit loss rates by due date are determined according to the provision matrix as follows:

Target Group

As at 31 December 2016

	Current	1-3 months	4-6 months	7-12 months	over 1 year	Total
Expected credit loss rate (%)	–	0.32%	0.21%	0.34%	1.84%	0.46%
Gross carrying amount (RMB'000)	102,062	124,095	44,433	42,398	57,478	370,466
Loss allowance	–	397	95	144	1,059	1,695

As at 31 December 2017

	Current	1-3 months	4-6 months	7-12 months	over 1 year	Total
Expected credit loss rate (%)	–	0.27%	0.24%	0.16%	2.10%	0.54%
Gross carrying amount (RMB'000)	45,930	167,265	59,229	58,736	71,459	402,619
Loss allowance	–	458	140	96	1,500	2,194

As at 31 December 2018

	Current	1-3 months	4-6 months	7-12 months	over 1 year	Total
Expected credit loss rate (%)	–	0.18%	0.20%	0.24%	0.99%	0.26%
Gross carrying amount (RMB'000)	50,023	157,899	67,286	134,174	41,978	451,360
Loss allowance	–	284	137	316	416	1,153

Target Company

As at 31 December 2016

	Current	1-3 months	4-6 months	7-12 months	over 1 year	Total
Expected credit loss rate (%)	–	0.32%	0.21%	0.34%	1.84%	0.50%
Gross carrying amount (RMB'000)	67,662	124,095	44,433	42,398	57,478	336,066
Loss allowance	–	397	95	144	1,059	1,695

As at 31 December 2017

	Current	1-3 months	4-6 months	7-12 months	over 1 year	Total
Expected credit loss rate (%)	–	0.27%	0.24%	0.16%	2.10%	0.55%
Gross carrying amount (RMB'000)	43,460	167,265	59,114	58,736	71,459	400,034
Loss allowance	–	458	140	96	1,500	2,194

As at 31 December 2018

	Current	1-3 months	4-6 months	7-12 months	over 1 year	Total
Expected credit loss rate (%)	–	0.18%	0.20%	0.23%	0.99%	0.26%
Gross carrying amount (RMB'000)	50,023	157,899	67,286	134,174	41,978	451,360
Loss allowance	–	284	137	316	416	1,153

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the Target Group considered that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Target Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables and deposits	38,676	43,773	38,505
Prepayments to suppliers	99,765	87,842	54,544
Prepayments for acquisitions of property, plant and equipment	–	272	–
Prepaid lease for land *(Note 14)*	1,237	1,237	1,237
Total	139,678	133,124	94,286
Less: Current portion	(139,678)	(132,852)	(94,286)
Non-current portion	–	272	–

The Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables and deposits	38,496	43,020	36,071
Prepayments to suppliers	95,549	83,805	52,066
Prepayments for acquisitions of property, plant and equipment	–	272	–
Prepaid lease for land *(Note 14)*	567	567	567
Total	134,612	127,664	88,704
Less: Current portion	(134,612)	(127,392)	(88,704)
Non-current portion	–	272	–

18. TRADE PAYABLES

The Target Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	154,869	86,353	68,696

The Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	116,935	44,930	30,988

Aged analysis of trade payables based on the invoice date as of the end of each of the Relevant Periods is as follows:

The Target Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	138,164	71,323	29,890
91-180 days	6,956	4,944	34,361
181-270 days	3,594	100	560
271-360 days	1,772	3,925	887
Over 1 year	4,383	6,061	2,998
	154,869	86,353	68,696

The Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	100,230	29,900	26,171
91-180 days	6,956	4,944	403
181-270 days	3,594	100	529
271-360 days	1,772	3,925	887
Over 1 year	4,383	6,061	2,998
	116,935	44,930	30,988

19. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

The Target Group

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income	(a)	1,334	1,334	1,334
Other payables		6,679	11,161	34,472
Contract liabilities	(b)	158,446	111,359	119,860
Accruals		99	910	–
Other loan	(c)	6,078	5,878	5,878
Classified under current liabilities		172,636	130,642	161,544
Deferred income under non-current liabilities	(a)	24,672	23,338	22,004

The Target Company

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income	(a)	404	404	404
Other payables		1,014	6,156	27,784
Contract liabilities	(b)	158,446	111,359	119,860
Accruals		–	852	–
Other loan	(c)	6,078	5,878	5,878
Classified under current liabilities		165,942	124,649	153,926
Deferred income under non-current liabilities	(a)	17,307	16,903	16,499

Notes:

(a) The amount represented government subsidy received by the Target Group for acquiring its prepaid lease for land. Such government grants would be credited to profit or loss as other income over the useful life of the corresponding prepaid lease for land.

(b) Contract liabilities arising from sales of fire trucks and movement in contract liabilities:

The Target Group and the Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Balance as at 1 January	105,158	158,446	111,359
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(95,190)	(158,446)	(95,427)
Increase in contract liabilities as a result of billing in advance of trading activities	148,478	111,359	103,928
Balance as at 31 December	158,446	111,359	119,860

(c) The amount represented loan from Shenyang Finance Bureau. The loan bears interest at floating rate and repayable on demand.

20. BORROWINGS

The Target Group and the Target Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Secured interest-bearing bank borrowings:			
Repayable within one year	169,000	–	154,000
Non-current:			
Secured interest-bearing bank borrowings:			
Repayable later than one year and within five years	–	154,000	21,000
Total	169,000	154,000	175,000

(i) The bank borrowings bear interest at fixed rates. The interest rates are ranging from 4.35% to 7.25%, 4.35% to 5.32% and 5.32% to 5.44% per annum for the years ended 31 December 2016, 2017 and 2018 respectively.

(ii) The secured bank borrowings were secured by:

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	13	187,543	179,941	169,321
Prepaid lease for land	14	53,075	51,838	50,601
Total		240,618	231,779	219,922

The secured bank borrowings were also secured by (i) the equity interest of a subsidiary of the Target Company and (ii) personal guarantees of one of the directors of the Target Company and his spouse.

(iii) The unutilised banking facilities in respect of bank borrowings as at 31 December 2016, 2017 and 2018 amounted to RMB109,850,000, RMB46,000,000 and RMB Nil respectively.

21. PAID-UP CAPITAL AND RESERVES

(a) Paid-up capital

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Capital injection from equity owners			
At beginning and end of the year	20,000	20,000	20,000

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of each of the Relevant Periods are set out below:

The Target Company	Capital reserve	Statutory surplus reserve	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	1,673	11,241	486,824	499,738
Profit and total comprehensive income for the year	–	–	53,722	53,722
At 31 December 2016 and 1 January 2017	1,673	11,241	540,546	553,460
Profit and total comprehensive income for the year	–	–	53,853	53,853
At 31 December 2017 and 1 January 2018	1,673	11,241	594,399	607,313
Profit and total comprehensive income for the year	–	–	88,411	88,411
At 31 December 2018	1,673	11,241	682,810	695,724

(c) The following describes the nature and purpose of each reserve:

Capital reserve

This represents additional paid-up capital by equity owners of the Target Company.

Statutory surplus reserve

In accordance with the PRC Companies Law, the Target Group's PRC entities are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve. Such reserve may be used to reduce any loss incurred by the Target Group's PRC entities or be capitalised as paid-up capital of the Target Group's PRC entities. The statutory surplus reserve is non-distributable.

Retained earnings

This represents cumulative net gains and losses recognised in profit or loss.

22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had not entered into other material related party transactions during the Relevant Periods.

(b) Members of key management personnel of the Target Group during the Relevant Periods comprised only the directors of the Target Company whose emoluments are set out in Note 10.

23. COMMITMENTS

(a) Operating leases commitments

The Target Group had no significant operating lease commitments at the end of each of the Relevant Periods.

(b) Capital commitments

The Target Group	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for:			
Property, plant and equipment	–	1,128	–

24. CONTINGENT LIABILITIES

At 31 December 2016, 2017 and 2018, the Target Group did not have any contingent liabilities.

25. CAPITAL RISK MANAGEMENT

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to equity owners that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity of the Target Company. Net debt includes bank borrowings less cash and bank balances. The Target Group's policy is to maintain a gearing ratio at a reasonable level. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	169,000	154,000	175,000
Less: Cash and bank balances	(154,739)	(81,681)	(107,353)
Net debts	14,261	72,319	67,647
Total Equity	631,587	693,243	779,705
	2%	10%	9%

The Target Group is not subject to externally imposed capital requirements.

26. FINANCIAL RISK MANAGEMENT

The Target Group's major financial instruments include trade receivables, other receivables, cash and bank balances, trade payables, other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The credit risk on cash and bank balances is limited because the counterparties are banks with good reputation. For other receivables, management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The Target Group has no significant concentration of credit risk.

The Target Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECL also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

As at 31 December 2016 and 2017 and 2018, a provision of RMB1,695,000, RMB2,194,000 and RMB1,153,000 was made against the gross amounts of Target Group's trade receivables respectively.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. During the Relevant Periods, the ECLs for other receivables are insignificant and therefore no impairment loss is provided.

ECL model for other receivables are summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Target Group. The ECL is measured on a 12-month basis.

- If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

- If the other receivable is credit-impaired, the financial instrument is then moved to "Stage 3". The ECL is measured on lifetime basis.

- At Stage 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Target Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The impairment of other receivables was provided based on the "three-stage" model by referring to the changes in credit quality since initial recognition.

The key judgements and assumptions adopted by the Target Group in addressing the requirements of the standard are discussed in the Target Group's accounting policy.

The following table provides information about the Target Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2016, 2017 and 2018:

	Lifetime ECLs Simplified approach As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Carrying amount	370,466	402,619	451,360
Impairment loss	(1,695)	(2,194)	(1,153)
Net carrying amount	368,771	400,425	450,207

For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 16.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Target Group's view of economic conditions over the expected lives of the receivables.

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the Relevant Periods:

– Origination of new trade receivables net of those settled; and

– Increase in days past due.

At the end of each of the reporting periods, the maximum exposure to credit risk in respect of Target Group's financial assets subject to credit risk equal to the carrying amounts of these instruments.

(b) Liquidity risk

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

The following table details the remaining contractual maturities at the end of each of the Relevant Periods of the Target Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of each of the Relevant Periods and the earliest date the Target Group can be required to pay:

At 31 December 2016	**Carrying amount**	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	154,869	154,869	138,164	6,956	9,749
Other payables and accruals and contract liabilities	171,302	171,302	171,302	–	–
Borrowings	169,000	172,399	172,399	–	–
	495,171	498,570	481,865	6,956	9,749

At 31 December 2017	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	86,353	86,353	71,323	4,944	10,086
Other payables and accruals and contract liabilities	129,308	129,308	129,308	–	–
Borrowings	154,000	168,304	8,193	160,111	–
	369,661	383,965	208,824	165,055	10,086

At 31 December 2018	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	68,696	68,696	68,696	–	–
Other payables and accruals and contract liabilities	160,210	160,210	160,210	–	–
Borrowings	175,000	182,366	161,228	21,138	–
	403,906	411,272	390,134	21,138	–

(c) Foreign currency risk

The Target Group's revenue and expenses are all in RMB and most of the Target Group's assets and liabilities are denominated in RMB, which is the functional currency of all the companies within the Target Group, the currency risk resulting from the Target Group's daily operations is considered not significant. The Target Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

As the Target Group has no significant interest-bearing financial assets and liabilities at floating rate, the Target Group's income and operation cash flows are substantially independent from changes in market interest rates.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016, 2017 and 2018 largely due to their short term maturity.

27. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Target Group's financial assets and financial liabilities as recognised at 31 December 2016, 2017 and 2018 may be categorised as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
Trade receivables	368,771	400,425	450,207
Other receivables and deposits	38,676	43,773	38,505
Cash and bank balances	154,739	81,681	107,353
	562,186	525,879	596,065
Financial liabilities at amortised cost:			
Trade payables	154,869	86,353	68,696
Other payables, accruals and contract liabilities	171,302	129,308	160,210
Borrowings	169,000	154,000	175,000
	495,171	369,661	403,906

28. INVESTMENTS IN SUBSIDIARIES

As at the date of this report, the particulars of the subsidiaries in which the Target Group has direct or indirect interests are set out as follows:

Name of company	Form of business structure	Place of establishment/ operation	Paid-up capital *(RMB)*	Effective interest held by the Target Company	Principal activities
Fushun Shunda Fire Equipment Manufacturing Company Limited	Limited liability company	PRC	35,000,000	100%	Manufacturing and sales of fire trucks' components
Shenyang Ruida Fire Equipment Manufacturing Company Limited	Limited liability company	PRC	20,000,000	100%	Manufacturing and sales of fire trucks' components

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand. No impairment losses on investments in subsidiaries were recognised as at 31 December 2016, 2017 and 2018.

29. NON-CASH TRANSACTIONS

During the year ended 31 December 2016, additions of property, plant and equipment of RMB1,412,000 were transferred from prepayments.

30. NOTES TO CASH AND BANK BALANCES AND CONSOLIDATED STATEMENTS OF CASHFLOWS

(a) Cash and bank balances

Included in the Target Group's and Target Company's cash and bank balances, RMB20,000,000, RMB42,157,000 and RMB20,941,000 represent restricted cash as at 31 December 2016, 2017 and 2018 respectively.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows from financing activities.

	Borrowings *(Note 20)* **Year ended 31 December**		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	169,000	169,000	154,000
Changes from cash flows:			
Proceed from borrowings	17,900	254,000	25,300
Repayment of borrowings	(17,900)	(269,000)	(4.300)
Interest paid	(9,782)	(8,049)	(9,362)
Total changes from cash flows	(9,782)	(23,049)	11,638
Other change:			
Interest expenses	9,782	8,049	9,362
At 31 December	169,000	154,000	175,000

31. EVENT AFTER THE RELEVANT PERIODS

There is no significant event subsequent to 31 December 2018.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 31 December 2018.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018 of the Enlarged Group, which have been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the proposed acquisition of 60% of the equity interest in Shenyang Jietong Fire Truck Co., Ltd. (the "Acquisition") on the Group, assuming that the Acquisition had been completed as at the dates indicated below.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operation and cash flows of the Enlarged Group had the Acquisition been completed as at 31 December 2018 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group and 1 January 2018 for the unaudited pro forma consolidated profit or loss and other comprehensive income and consolidated statement of cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and the financial information of the Target Group set out in Appendix I and Appendix II to this circular, respectively.

(I) A. The Unaudited Pro Forma Statement of Financial Position of the Enlarged Group as at 31 December 2018

		Pro forma adjustments			
	The Group	The Target Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	
Non-current assets					
Prepaid land lease payments	113,274	49,364	3,177	–	165,815
Property, plant and equipment	746,308	232,482	21,630	–	1,000,420
Investment properties	251,069	–	–	–	251,069
Intangible assets	308,519	–	251,828	–	560,347
Investments in associates	734,358	–	–	–	734,358
Deferred income tax assets	44,055	–	–	–	44,055
Financial assets at fair value through profit or loss	–	–	6,070	–	6,070
Other non-current assets	358,316	–	(240,000)	–	118,316
	2,555,899	281,846	42,705	–	2,880,450
Current assets					
Inventories	791,530	277,787	–	–	1,069,317
Trade receivables	1,180,305	450,207	(141,296)	–	1,489,216
Prepayments and other receivables	432,435	94,286	(13,624)	–	513,097
Financial assets at fair value through other comprehensive income	22,065	–	–	–	22,065
Contract assets	410,204	–	–	–	410,204
Amounts due from related parties	29,337	–	–	–	29,337
Pledged bank deposits	10,628	–	–	–	10,628
Bank and cash balances	468,607	107,353	–	–	575,960
	3,345,111	929,633	(154,920)	–	4,119,824
Total assets	5,901,010	1,211,479	(112,215)	–	7,000,274

		Pro forma adjustments			
	The Group	The Target Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	
Non-current liabilities					
Borrowings	–	21,000	–	–	21,000
Trade and other payables	14,452	–	–	–	14,452
Convertible bonds	84,327	–	–	–	84,327
Deferred income tax liabilities	18,251	–	41,625	–	59,876
Deferred income	66,619	22,004	–	–	88,623
	183,649	43,004	41,625	–	268,278
Current liabilities					
Trade and other payables	1,303,155	230,240	360,000	8,562	1,901,957
Amounts due to related parties	75,212	–	–	–	75,212
Contract liabilities	635,430	–	–	–	635,430
Borrowings	544,885	154,000	–	–	698,885
Provision	83,922	–	–	–	83,922
Current income tax liabilities	52,428	4,530	–	(1,284)	55,674
	2,695,032	388,770	360,000	7,278	3,451,080
Total liabilities	2,878,681	431,774	401,625	7,278	3,719,358
Equity					
Share capital	123,522	20,000	(20,000)	–	123,522
Reserves	2,853,857	759,705	(759,705)	(7,278)	2,846,579
Non-controlling interests	44,950	–	265,865	–	310,815
	3,022,329	779,705	(513,840)	(7,278)	3,280,916

(I) B. The Unaudited Pro Forma Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the year ended 31 December 2018

		Pro forma adjustments			
	The Group	The Target Group	Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 4*	*Note 5*	
Revenue	2,786,421	753,299	–	–	3,539,720
Cost of sales and services	(2,240,886)	(506,668)	(25,217)	–	(2,772,771)
Gross profit	545,535	246,631	(25,217)	–	766,949
Selling and distribution expenses	(74,845)	(30,237)	(10,536)	–	(115,618)
General and administrative expenses	(326,750)	(112,508)	(8,050)	(8,562)	(455,870)
Net impairment losses on financial and contract assets	(25,326)	–	–	–	(25,326)
Other income	82,864	5,082	–	–	87,946
Other gains/(losses) – net	22,456	–	–	–	22,456
Operating profit	223,934	108,968	(43,803)	(8,562)	280,537
Finance costs	(23,641)	(9,362)	–	–	(33,003)
Other expenses	–	(536)	–	–	(536)
Share of loss of associates	(3,816)	–	–	–	(3,816)
Profit before income tax	196,477	99,070	(43,803)	(8,562)	243,182
Income tax expense	(23,859)	(12,608)	6,570	1,284	(28,613)
Profit for the year	172,618	86,462	(37,233)	(7,278)	214,569

	The Group	Pro forma adjustments: The Target Group	Pro forma adjustments: Other adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 4*	*Note 5*	
Profit for the year attributable to:					
Owners of the Company	165,403	86,462	(22,340)	(7,278)	222,247
Non- controlling interests	7,215	–	(14,893)	–	(7,678)
	172,618	86,462	(37,233)	(7,278)	214,569
Other comprehensive income:					
Exchange differences on translating foreign operations	25,394	–	–	–	25,394
Share of other comprehensive income of associates	(1)	–	–	–	(1)
Other comprehensive income for the year, net of tax	25,393	–	–	–	25,393
Total comprehensive income for the year	198,011	86,462	(37,233)	(7,278)	239,962
Total comprehensive income for the year attributable to:					
Owners of the Company	190,850	86,462	(22,340)	(7,278)	247,694
Non-controlling interests	7,161	–	(14,893)	–	(7,732)
	198,011	86,462	(37,233)	(7,278)	239,962

(I) C. The Unaudited Pro Forma Statement of cash flows of the Enlarged Group for the year ended 31 December 2018

		Pro forma adjustments		
	The Group	The Target Group	Other adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
Cash flow from operating activities				
Cash generated from operating activities	145,233	32,273	–	177,506
Income tax paid	(28,873)	(14,811)	–	(43,684)
Net cash generated from operating activities	116,360	17,462	–	133,822
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	(57,047)	(4,863)	–	(61,910)
Proceeds from government grants	–	525	–	525
Proceeds from sale of property, plant and equipment	751	340	–	1,091
Proceeds from sale of other financial assets	662	–	–	662
Interest received	2,103	570	–	2,673
Dividend received	31	–	–	31
Acquisition of a subsidiary, net of cash acquired	78,050	–	(518,319)	(440,269)
Prepayment for acquisition of subsidiaries	(354,540)	–	240,000	(114,540)
Payment for acquisition of associates	(150,106)	–	–	(150,106)
Net cash used in investing activities	(480,096)	(3,428)	(278,319)	(761,843)

		Pro forma adjustments		
	The Group	The Target Group	Other adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
Cash flow from financing activities				
Proceeds from issue of new shares	197,218	–	–	197,218
Proceeds of borrowings from related companies	494,999	–	–	494,999
Repayment of borrowings to related companies	(255,000)	–	–	(255,000)
Proceeds of borrowings from banks	353,945	25,300	–	379,245
Repayments of borrowings to banks	(161,790)	(4,300)	–	(166,090)
Interest paid	(23,641)	(9,362)	–	(33,003)
Decrease in pledged bank deposits	(1,943)	–	–	(1,943)
Net cash generated from financing activities	603,788	11,638	–	615,426
Net increase/(decrease) in cash and cash equivalents	240,052	25,672	(278,319)	(12,595)
Cash and cash equivalents at beginning of the year	220,340	81,681	(81,681)	220,340
Exchange gains on cash and cash equivalents	8,215	–	–	8,215
Cash and cash equivalents at 31 December 2018	468,607	107,353	(360,000)	215,960
Analysis of cash and cash equivalents at 31 December 2018				
Bank and cash balances	468,607	107,353	(360,000)	215,960

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

1. The amounts have been extracted from the audited consolidated statement of financial position as at 31 December 2018, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 included in the published annual report of the Company for the year ended 31 December 2018.

2. The amounts have been extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2018, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2018 in Appendix II to this circular.

3. The pro forma adjustments represent the estimated consideration of RMB600,000,000 (subject to deductions) for the acquisition of 60% equity interest of the Target Group payable by the Group.

   The Consideration will be financed by the internal resources of the Group and bank borrowings: (i) the Prepayment, being the amount of RMB300,000,000 should be payable subject to the satisfaction of the condition that the net assets of the Target Group as at 30 June 2018 being not less than RMB550,000,000. According to the consolidated management accounts of the Target Group as at 30 June 2018, the net assets of the Target Group as at 30 June 2018 was RMB724,709,809, therefore the Group paid the Prepayment, being the amount of RMB240,000,000, net of the Personal Income Tax deducted, to the Vendors on 17 August 2018 and 20 August 2018, respectively; (ii) the First Instalment, being the amount of RMB300,000,000, shall be payable on the Completion Date and shall be satisfied by set-off against the Prepayment; (iii) the Second Instalment, being the amount of RMB150,000,000, shall be payable within 15 business days upon receipt of the relevant payment notice issued by the Vendors and the Notice of Approval of the Registration of Change. Therefore, a current liability in the amount of RMB150,000,000 is recognized on the Completion Date; and (iv) the Remaining Balance, being the amount of RMB150,000,000 (subject to deductions) will be payable subject to the terms and conditions of the Equity Transfer Agreement.

   In respect of the Remaining Balance, there is a performance guarantee arrangement for the year ended 31 December 2018 and the year ending 31 December 2019. As stipulated in the Equity Transfer Agreement, the Remaining Balance shall be payable when the 2018 Profit Guarantee is satisfied. Based on the audited consolidated financial statements of the Target Group as set out in Appendix II to this circular, the 2018 Profit Guarantee has been met, therefore the Remaining Balance is recognised as a payable on the Completion Date. In addition, there is a Financial Compensation according to the Equity Transfer Agreement. The Vendors shall compensate the Group in the event that any of the 2019 Profit Guarantee or the 2018 and 2019 aggregate audited revenue is not achieved. The fair value of the contingent consideration is estimated in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 13 "Fair value measurement" and is consistent with the accounting policies adopted by the Group. The estimated Financial Compensation from the Vendor in cash of RMB6,070,000, in respect of the 2019 Profit Guarantee and the 2018 and 2019 aggregate audited revenue which is recognised as a financial asset at fair value through profit or loss in accordance with HKFRS 9. In determining the fair value of the Financial Compensation, the Directors estimated three scenarios of possible outcomes (the optimistic, normal and conservative) for each of the 2019 Profit Guarantee and the 2018 and 2019 aggregate revenue. A shortfall of approximately RMB7,010,000 was estimated for the 2019 Profit Guarantee under the conservative scenario, apart from that, no shortfall was estimated for the 2018 and 2019 aggregate revenue. The fair value of the Financial Compensation was calculated with reference to the probability-weighted average of the three scenarios of possible outcomes and a discount rate of 12%.

Upon completion of the Acquisition, Shenyang Jietong Fire Truck Co., Ltd. will become a 60% subsidiary of the Company, and the identifiable assets and liabilities of the Target Group will be accounted for by the Group at their fair value in accordance with HKFRS 3 (Revised) "Business Combination". For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair value of the identifiable assets and liabilities of the Target Group as at 31 December 2018 based on a valuation report dated 24 May 2019 prepared by Vigers Appraisal and Consulting Limited.

Goodwill and other intangible assets arising from the Acquisition is calculated as follows:

	Note	*RMB'000*
Cash and payable		600,000
Less: Contingent consideration- Financial Compensation from the Vendors		(6,070)
Fair value of total consideration		593,930
Carrying amount of net assets of the Target Group as at 31 December 2018		779,705
Distribution to Vendors	a	(154,920)
Net assets of the Target Group as at 31 December 2018		624,785
Add:		
Fair value adjustments on:		
– Property, plant and equipment	d(v)	21,630
– Prepaid land lease payments	d(vi)	3,177
Recognition of intangible assets		
– Patents	d(i)	26,215
– Trademarks	d(ii)	85,836
– Customer relationship	d(iii)	31,608
– Backlogs	d(iv)	25,217
Recognition of deferred income tax liabilities arising from the revaluation surplus of assets and the recognition of intangible assets	d	(41,625)
Total fair value of identifiable net assets		776,843
Non-controlling interests arising from the Acquisition	b(i)	(310,737)
Profit attributable to the Group for the period from 1 June to 31 December 2018	b(ii)	44,872
Total non-controlling interests		(265,865)
Net assets less non-controlling interests of the Target Group as at 31 December 2018 acquired by the Group		510,978
Goodwill arising from the Acquisition	c	82,952

(a) Pursuant to the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement), the Target Group will declare dividend to the Vendors before Completion, the dividend amount will be paid in form of certain designated aged receivables (the "Designated Receivables") of the Target Group. The Designated Receivables comprised trade receivables and bid bond receivables with the carrying amount of approximately RMB141,296,000 and approximately RMB13,624,000, respectively.

(b) The Group acquired 60% equity interest in Shenyang Jietong Fire Truck Co., Ltd. Non-controlling interest in the Target Group should be recognized on the basis of: (i) its proportionate interest in the Target Group's identifiable net assets as at 31 December 2018; and (ii) according to the Equity Transfer Agreement, with effect from 1 June 2018, being the first day of the month preceding the date on which the Equity Transfer Agreement came into effect, the Purchaser and the Vendors shall be entitled to the profits generated from the operation of the Target Company in the proportion of 60% and 40%, respectively. Therefore, the amount of RMB44,872,000 representing the share of the Target Group's unaudited profit after tax for the period from 1 June 2018 to 31 December 2018 should be attributable to the Group and deducted from the non-controlling interests. For the purpose of the unaudited pro forma statement of profit or loss, no adjustment has been made to reflect the aforementioned sharing agreement as it is assumed that the Acquisition has been completed on 1 January 2018.

(c) Goodwill arising from the Acquisition of approximately RMB82,952,000 is derived from the difference between the fair value of total consideration of approximately RMB593,930,000 and fair value of the identifiable assets and liabilities of the Target Group less non-controlling interest as at 31 December 2018 of approximately RMB510,978,000. Since the fair value of the identifiable net assets of the Target Group at the completion date of the Acquisition may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets) and goodwill to be recognized in connection with the Acquisition may be different from the amounts presented above.

(d) The fair value of the identifiable assets and liabilities is composed of net assets of the Target Group as at 31 December 2018 after the payment of dividend in form of Designated Receivables as mentioned in Note 3(a), and the fair value adjustments on property, plant and equipment, prepaid land lease payments and intangible assets, including patents, trademarks, customer relationship and backlogs, arising from the business combination. The fair value of identifiable assets and liabilities of the Target Group as at 31 December 2018 was evaluated by Vigers Appraisal and Consulting Limited. With reference to the valuation report, the Directors estimate that: (i) the fair value of patents is RMB26,215,000 which is based on multi-period excess earnings method; (ii) the fair value of trademarks is RMB85,836,000 which is based on multi-period excess earnings method; (iii) the fair value of customer relationship is RMB31,608,000 which is based on multi-period excess earnings method; (iv) the fair value of backlogs is RMB25,217,000 which is based on multi-period excess earnings method; (v) the fair value adjustment on property, plant and equipment is RMB21,630,000 which is based on the depreciated replacement cost approach; and (vi) the fair value adjustment on prepaid land lease payments is RMB3,177,000 which is based on the direct comparison method under the market approach. The corresponding deferred income tax liabilities of RMB41,625,000 are measured at the tax rates that are expected to apply when the related taxable temporary difference are settled, which is 15% tax rate applicable to Shenyang Jietong Fire Truck Co., Ltd. during the official authorization period as a High/New Tech Enterprise in the PRC, and 25% tax rate after the authorization period.

The multi-period excess earnings method is a commonly adopted valuation method to value intangible assets including patents, trademarks, backlogs and customer relationship that are considered as one of the core competence of business and contribute to cash flows in combination with other assets in a group. The depreciated replacement cost approach and the direct comparison method are commonly adopted valuation methods to value property, plant and equipment and prepaid land lease payments, respectively.

The patents represent the patented technologies developed by the Target Company used in the production of the fire trucks. The trademark represent the brand developed by the Target Company used in the production of the fire trucks. The backlogs represent the total estimated customer contracts that has been secured and remain to be completed as at the valuation date. The customer relationship represents the long-time business relationship and history with key customers. According to the valuation report, the fair values of the patents, trademarks, customer relationship and backlogs are determined using multi-period excess earnings method under the income approach. In the multi-period excess earnings method, the value is estimated as the present value of the benefits anticipated from ownership of the subject intangible asset in excess of the returns required on the investment in the contributory assets necessary to realise those benefits.

The key assumptions used in estimating the fair values of the intangible assets are as follows:

Sales amount (% annual growth rate)	0%-7%
EBIT margin (% of revenue)	14%-15%
Royalty rate for patents	1.5%
Royalty rate for trademarks	2%
Discount rate for trademarks and customer relationship	14%
Discount rate for patents	15%
Discount rate for backlogs	13%

The fair value adjustment to intangible assets of the Target Group at 31 December 2018 are as follow:

	RMB'000
Goodwill	82,952
Patents	26,215
Trademarks	85,836
Backlogs	25,217
Customer relationship	31,608
	251,828

(e) For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have made an assessment on whether there is any impairment in respect of property, plant and equipment, prepaid land lease payments, the intangible assets and goodwill arising from the Acquisition with reference to HKAS 36 "Impairment of Assets". They have taken into consideration the historical financial performance of the Target Group, the price-to-earnings ratio of companies in similar industries and synergy effect to the business of the Enlarged Group as key parameters for the assessment. Based on the assessment results, the Directors concluded that there is no impairment in the value of property, plant and equipment, prepaid land lease payments, intangible assets and goodwill. The Company will adopt consistent accounting policies, principal assumptions and methodology of impairment assessment (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's property, plant and equipment, prepaid land lease payments, intangible assets and goodwill in future, and communicate such basis with its auditor. The auditor of the Company has considered the impairment assessment conducted by the management as part of its engagement to report on the pro forma financial information of the Enlarged Group.

This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma statement of cash flows.

4. The adjustment represents: (a) additional amortization/depreciation of the fair value adjustments to the prepaid land lease payments, property, plant and equipment and intangible assets (patents, trademarks, customer relationship and backlogs) arising from the business combination of the Target Group of RMB43,803,000, based on the respective fair values as set out in the valuation report of the Target Group as at 31 December 2018 dated 24 May 2019 prepared by Vigers Appraisal and Consulting Limited; and (b) the related income tax impact of RMB6,570,000. For the purpose of this Unaudited Pro Forma Financial Information, the Directors consider that there are no significant changes between 31 December 2018 and 1 January 2018 and no separate valuation report as at 1 January 2018 was prepared. Had this report been prepared, the amounts of the additional amortization/depreciation expenses for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group may be different from the amounts presented in this appendix.

   For the purpose of the unaudited pro forma statement of profit or loss and other comprehensive income, (i) the patents, customer relationship and backlogs are amortized based on the timing of projected cash flows of the contracts over their estimated useful lives on a straight-line basis; (ii) the depreciation of property, plant and equipment is calculated using the straight-line method to allocate the fair value adjustments over their estimated residual lives; and (iii) the amortization of prepaid land lease payments are calculated using the straight-line method to allocate the fair value adjustments over their residual lives.

   This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma statement of profit or loss and other comprehensive income and unaudited pro forma statement of cash flows.

5. The adjustment represents the estimated professional fees and transaction costs of approximately RMB8,562,000 payable by the in connection with the Acquisition, which are assumed to be due upon Completion. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma statement of profit or loss and other comprehensive income and unaudited pro forma statement of cash flows.

6. Apart from the above, no other adjustment has been made to the unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group and Target Group entered or proposed to enter into subsequent to 31 December 2018 and 1 January 2018 respectively.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CIMC-TianDa Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CIMC-TianDa Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group"), and Shenyang Jietong Fire Truck Co., Ltd. and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 December 2018, the unaudited pro forma statement of profit or loss and other comprehensive income and the unaudited pro forma statement of cash flows of the Enlarged Group for the year ended 31 December 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-14 of the Company's circular dated 24 May 2019, in connection with the proposed acquisition of 60% equity interest in Shenyang Jietong Fire Truck Co., Ltd. (the "Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-14.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2018 as if the Acquisition had taken place at 31 December 2018 and on the Group's financial performance and cash flows for the year ended 31 December 2018 as if the Acquisition had taken place at 1 January 2018. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the directors from the Group's financial statements for the year ended 31 December 2018, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline *7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or Acquisition on unadjusted financial information of the entity as if the event had occurred or the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2018 and 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or Acquisition in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 May 2019

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2016, 2017 and 2018.

Business review

For the year ended 31 December 2016

For the year ended 31 December 2016, to better comply with the accounting policies, the Group's revenue, from fire engines in particular, can only be recognized when customers finished their inspection on the products. The relaxation of the restrictions in the number of qualified fire engines manufacturers by the Ministry of Industry and Information Technology and the Ministry of Public Security from the beginning of year ended 31 December 2016 rapidly boosted up the number of players in the market and put stress on the Group's order books. As a result, revenue of the Group dropped 16.6% to RMB471 million for the year ended 31 December 2016. Profit from operations for the year ended 31 December 2016 was RMB39.6 million, broadly in line with that for the year ended 31 December 2015. Net profit for the year, however, declined 43.2% to RMB17.3 million.

In spite of the decline in revenue, the lost 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 their launch and sales of large-sized fire engines equipped with more equipment and advanced chassis, drove up the gross profit margin for the year ended 31 December 2016 as those trucks required comparatively more advanced production techniques and complicated production procedures and could be sold at higher profit margins.

The drop in profit for the year ended 31 December 2016 was attributable to: (i) the decrease in share of profit of associates; and (ii) the provision for a rental dispute amounting to RMB16 million. The Group completed the acquisition of 40% equity interests in Ziegler in July 2015 and therefore only shared the financial results for the second half of the year ended 31 December 2015. The first two quarters of a year are normally the slack season for Ziegler and the Group should have shared a loss of approximately RMB9.4 million for the year ended 31 December 2015, had Ziegler's results for the full year been taken into account.

The market for the conventional fire trucks is approaching saturation but demand for special vehicles is rising. The Group has focused on developing those products that cater to market needs and are able to fill market gaps in recent years. For the special vehicles and fire equipment planned to be launched by the Group, the bi-directional trucks were sold in the year ended 31 December 2016. Orders for aerial platform trucks were received which were expected to be delivered in the year ended 31 December 2017. The development of the large-scale compressed air extinguishing system which is designed specifically to tackle conflagrations in areas with oil tanks, oil depots and petrochemical storage and factories, one of the research projects of the thirteen national five year plan of the PRC, progressed smoothly. In addition to growth through internal development, the Group actively looked for merger and acquisition opportunities. The Group has negotiated to acquire fire engine and fire equipment manufacturing companies in China and in Europe to enrich the Group's product portfolio and technologies and enlarge its market coverage by building a solid foothold in the international market.

For the year ended 31 December 2017

Revenue and profit of the Group for the year ended 31 December 2017 were respectively RMB529 million and RMB17.8 million, up 12.2% and 2.7% year on year respectively. As the supply of chassis restored, manufacturing schedules of fire engines delayed by the supply shortage in the third quarter was caught up in the last quarter of the year ended 31 December 2017. Sales for the year ended 31 December 2017 exceeded that for the year ended 31 December 2016 as more fire engines were sold. Average unit selling price of the fire engines sold was driven up by the Group's self-developed aerial lifting spray trucks and ladder trucks that were first released during the year ended 31 December 2017. Notwithstanding the professional fee of approximately RMB25 million incurred for the Pteris Acquisition, the TianDa Acquisition, and other potential acquisitions negotiated during the year ended 31 December 2017, profit increased for the year ended 31 December 2017 was owing to, in addition to revenue growth, the increased in share of profit of Ziegler, the Group's associate in Germany, due to its good financial performance. Following the sale of the Group's first self-developed aerial lifting fire trucks, other models with longer working heights, like the 32-metre and 52-metre ladder trucks and aerial platform trucks, and the 60-metre jet spray fire trucks were under development. Besides, to seize the potential market arising from the possible massive upgrade and replacement of airport fire engines in China in the coming years, the Group has speeded up its development of the airport rapid mobilization fire trucks, which was designed with rapid speed acceleration to tackle fire on aircrafts running at high speed. Research was also conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularization and product standardization, in order to enhance manufacturing efficiency and reduce costs of production.

For the year ended 31 December 2018

The Group's business scope has been expanded to a great extent since the completion of the Pteris Acquisition in April 2018. In addition to the manufacture and sale of fire engines and fire equipment and related services, it has also been engaged in the design, manufacturing and sale of the four major types of products below and the provision of related services.

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

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

(3) Logistics (baggage, material and warehouse handling systems or "**MHS**") which comprises systems for sorting, handling, transportation and storing and retrieval of different types of baggage, cargo and goods and materials; and

(4) Automated parking systems ("**APS**"), including vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems.

Because of the reverse accounting treatment required by HKFRS 3 "Business Combination" as detailed in Note 2.1 "Basis of preparation" to the consolidated financial statements of the Group for the year ended 31 December 2018 as set out in the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, to correspond with the consolidated financial statements, the discussion and analysis on the PBB, GSE, MHS and APS segments covers the full year of 2018, and the discussion and analysis on the fire engines and fire-fighting equipment business covers the period since the completion of the Pteris Acquisition to the end of 2018. The comparative figures represent those of Pteris unless otherwise specified.

The Group reported a record high revenue of RMB2,786.4 million for the year, represented a growth of 67.6% as compared to that of last year. If revenue generated from the fire engines and fire-fighting equipment business of RMB548.0 million were excluded, revenue of the Group, as generated by the PBB, GSE, APS and MHS segments, would still have grown by 34.6% to RMB2,238.4 million. With the increase in revenue, the Group reported a profit of RMB172.6 million for the year, an increase of 44.2% from that of 2017. The Group's revenue and profit for the year, analysed by business segments are as follows:

Passenger boarding bridge (PBB) and automated parking systems (APS)

Revenue: RMB1,118.3 million (2017: RMB940.2 million); segment profit: RMB163.5 million (2017: RMB118.1 million)

Revenue of the PBB business increased mainly because of the increase in amount of contracts completed during the year as the Group has taken measures to shorten the time of completing contracts and therefore speeded up the revenue and profit recognition. Such measures included:

(1) reducing the equipment hardware production time by subcontracting the production of some of the fixed bridges (connecting the terminal to the passenger boarding bridges) so as to release capacity for the production of boarding bridges (connecting the fixed bridges to the aircrafts) which require more production techniques; and

(2) reducing the installation time by recruiting additional workers for installation implementations and outsourcing the installation works of some projects to subcontractors.

Although the Group ranks top in the world market of passenger boarding bridges, it is facing fierce competition and challenges. To maintain its leading position, the Group is dedicated to:

(1) expanding its after-sales services team including setting up new service centres in Europe and the Middle East to capture the market share in the growing after-sales services market, particularly the bridges renovation business;

(2) extending the value chain by providing other equipment such as the aircraft pre-conditioned air units; and

(3) developing new value-added products such as the Smart Bridge System and Visual Docking Guidance System (VDGS) which were designed to guide the aircraft docking and the connection of passengers boarding bridges to aircraft doors automatically with no manual intervention so as to enhance the reliability and to save labour costs in airport operations.

For the APS business, despite that it has contributed no profit to the Group, its mechanical intelligent stereo bus parking system (機械式智慧公交車立體停車庫) and the self-developed technology of multifunctional station of electric bus parking system (新能源大巴立體停車綜合場站技術), a pioneer in the market, is expected to deliver value to the Group soon.

Ground support equipment (GSE)

Revenue: RMB239.0 million (2017: RMB203.8 million); segment profit: RMB9.5 million (2017: RMB10.7 million)

Leveraging on the success of the PBB business, the Group's GSE business has been developing steadily since its commencement. Revenue growth for the year was mainly attributable to the sale of cargo loaders in the PRC since some of the manufacturing process have been moved from France to Beijing, PRC. The expanded production capacity has enhanced the competitiveness of the products. To meet the worldwide aspiration for green environment, the Group has been focusing on developing electric GSE vehicles in recent years. The electric bidirectional apron bus has been successfully developed and launched during the year. More resources are being utilized to accelerate the development of other electric vehicles. The Group is also testing the application of lighter materials, such as aluminum, for production of vehicle compartments of apron buses to save energy consumption through weight reduction.

Logistics (baggage, material and warehouse handling systems or MHS)

Revenue: RMB881.1 million (2017: RMB518.7 million); segment profit: RMB19.4 million (2017: RMB9.3 million)

Revenue increase for the year was mainly attributable to (i) the completion of certain projects in India, a newly developed market, during the year; and (ii) the increase in number of projects completed in the US as the project management team has been strengthened by the replacement of certain project managers. Profit margin of the segment, although improved because of the enhanced efficiency in project implementation in the US, is still low as it is burdened by the consequences of the previously poor management of the US projects. To improve the profitability of the business segment, the Group has, on one hand, concentrated on developing profitable markets and accelerating the standardization and modularization of all production components, and on the other, focused on enhancing the Group's overall project management standards.

During the year, leveraging on the Belt and Road Initiative, the Group has successfully solicited orders from certain African countries. Since the Group acquired the sorting devices technology in 2017, there was big advancement in technological standards and market position of the Group's MHS business in different fields which involve the sorting and handling of millions of parcels, such as airport baggage and cargo handling. The Group's automated warehousing system which allows the stacking, shelfing, sorting, retrieving and delivery in a warehouse to be made automatic through an intelligent management system, has successfully been applied to enterprises in different industries including pharmacy, e-commerce, home decorations and furniture, chemicals, food and cold chain. The broadened market coverage has brought the Group big potential for further revenue and profit advancement.

Fire engines and fire prevention and fighting equipment

Revenue: RMB548.0 million; segment profit: RMB23.6 million

Because of the adoption of the reverse acquisition accounting, the fire engines and fire-fighting equipment business of China Fire Safety Enterprise Group Limited (i.e. the Company immediately prior to the completion of the Pteris Acquisition) was deemed to be acquired and thus, revenue and profit reported were the amount for the year commencing after the completion of the Pteris Acquisition and up to 31 December 2018. If the reverse acquisition accounting had not been taken into effect, revenue derived from the fire engines and fire-fighting equipment business for the year ended 31 December 2018 would have grown by 25.0% to RMB660.7 million as compared to the corresponding period in 2017. Segment profit for the full year of 2018 would have been RMB52.4 million, an increase of 4.7% over that of 2017, had the additional costs and expenses in relation to the fair value adjustments at the completion of the Pteris Acquisition been disregarded. Revenue increased because the number of fire engines sold during the year increased, which was due to (i) certain large orders obtained from the fire brigades in the PRC; and (ii) fire engines sold to CIMC as it launched a new business line of leasing fire engines. There was only limited growth in profit despite the significant increase in revenue because expenditure on research and development increased for the year and additional impairment provision for trade receivables and other receivables were made due to the implementation of the new HKFRS 9 *"Financial Instruments"*.

To speed up the development of the fire engines and fire-fighting equipment business and to better serve the customers, the Group has been powering up its product and service development capability, enriching its product portfolio and extending its geographical range through strengthening its internal development function and external acquisitions. Internally, all fire engines manufactured since the second half of 2018 have installed the Vehicles Network Management System, through which real-time operational data of the fire engines will be transmitted and stored in a server through Internet of Things (IoT). Customers and the Group's customer service teams, through back office data analysis, can obtain the latest information about the location and operational condition of the fire engines for efficient management of the fire engines. For external acquisitions, as detailed in the section headed "Investments, disposal and capital commitments" below, the Group has entered into agreements to acquire the Target Company and the entire equity interests in Shanghai Jindun during the year. Both the Target Company and Shanghai Jindun are renowned fire engines manufacturers in the PRC with large range of products and significant market share. Upon completion of the acquisitions, apart from the revenue and profit contributions, the Group will also gain from the synergistic effects of the enlarged market share, production capacity, product variety and technological know-how sharing.

Financial resources, liquidity, contingent liabilities and pledge of assets

For the year ended 31 December 2016

The Group's bank and cash balances at 31 December 2016 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 reduced to RMB10 million (2015: RMB40 million). The increase in net cash balances was mainly due to the Group's strengthened effort in recovering accounts receivables. The Group also strengthened its after-sales services to follow up with the problems that customers may encounter in respect of the products purchased so as to enhance their satisfaction and willingness to pay.

As at 31 December 2016, the current assets and current liabilities of the Group were approximately RMB568 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 the end of the year ended 31 December 2016 was 1% (2015: 4%). The reduction in current assets at the end of the year ended 31 December 2016 was mainly due to the decrease in the amounts due from an associate as the Group waived the loan receivable from Ziegler amounted to RMB76 million (in the original currency of EUR10 million) in December 2016. In view of the improving performance of Ziegler for recent years and the growing sales orders received, the Group and CIMC, the other 60% shareholder as at 31 December 2016, approved Ziegler 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 Group recognized an increase in investment in associate to offset the reduction in amounts due from associate. Decrease in gearing ratio was due to the repayment of bank loans during the year ended 31 December 2016 as the Group's cash position improved.

RMB was the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases were primarily denominated in RMB and HK$. The Group used forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than RMB and HK$ when considered necessary. There was no forward foreign currency exchange contract outstanding at 31 December 2016.

Save as disclosed herein, the Group had no material contingent liabilities or pledge of assets for the year ended 31 December 2016.

For the year ended 31 December 2017

The Group's bank and cash balances at 31 December 2017 were approximately RMB134 million (2016: RMB136 million), of which RMB9 million (2016: RMB3 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. All of the outstanding bank borrowings had been repaid during the year. Net cash balances had been maintained at a stable level, and the Group had been strengthening its after-sale services in an attempt to shorten the receivable turnover days by enhancing customers' product satisfaction and thus their efficiency in payment processing.

As at 31 December 2017, the current assets and current liabilities of the Group were approximately RMB654 million (2016: RMB568 million) and RMB331 million (2016: RMB258 million) respectively. The current ratio was approximately 2.0 times (2016: 2.2 times). As all outstanding borrowings had been repaid, the gearing ratio (interest bearing debt/total equity (non-controlling interests excluded)) reduced to zero at the end of the year ended 31 December 2017 (2016: 1%). The gearing ratio in the future is expected to increase by the issuance of convertible bonds and the consolidation of the loans of Pteris and its subsidiaries upon completion of the Pteris Acquisition. The Group has been considering an appropriate level of gearing so as to maintain financial stability and to facilitate its future growth.

RMB was the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases were primarily denominated in RMB and HK$. The Group used forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than RMB and HK$ when considered necessary. There was no forward foreign currency exchange contract outstanding at 31 December 2017.

Save as disclosed herein, the Group had no material contingent liabilities or pledge of assets for the year ended 31 December 2017.

For the year ended 31 December 2018

The Group had a negative net cash balance at 31 December 2018 of approximately RMB65.7 million (2017: positive net cash balance of RMB108.1 million) which was broken down as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Cash and cash equivalents	468,607	220,340
Pledged bank deposits	10,628	518
	479,235	220,858
Borrowings:		
– from bank	(274,885)	(112,731)
– from related parties	(270,000)	–
	(544,885)	(112,731)
Net cash and cash equivalents	(65,650)	108,127

The pledged bank deposits at 31 December 2018 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued. The Group's major cash outflow for the year was mainly attributable to the prepayment of approximately RMB354.5 million was made for the acquisition of the Target Company and Shanghai Jindun and the payment of approximately RMB150.1 million for the subscription of the enlarged share capital of CIMC Finance (details of the acquisitions and investment have been set out in the section headed "Investments, disposal and capital commitments" below). The slower-than-expected turnover rate of trade receivables caused by the delayed payment of customers, which was the direct effect of the tight credit in the global economy in recent years, has also adversely affected the Group's cash flow position. The Group has linked up receivables collection with results of performance evaluation and thus the bonus and pay rise of relevant management and sales representatives in an attempt to improve the turnover rate of trade receivables.

The Group's borrowings outstanding as at 31 December 2018 were all short term in nature and repayable in 2019. Their repayment is expected to be financed by internal funds generated from operating activities and new loans. As at 31 December 2018, current assets and current liabilities of the Group were approximately RMB3,345.1 million (as at 31 December 2017: RMB1,994.2 million) and RMB2,695.0 million (as at 31 December 2017: RMB1,555.5 million) respectively. The current ratio was approximately 1.2 times (as at 31 December 2017: 1.3 times). The decrease in current ratio was mainly due to the increase in short term loans borrowed to finance the Group's working capital. The new borrowings raised during the year, plus the convertible bonds issued to settle part of the consideration for Pteris Acquisition and Tianda Acquisition, have driven up the Group's gearing ratio, which was calculated as interest bearing debt/total equity, from 7.7% at 31 December 2017 to 20.8% at 31 December 2018. To improve the Group's short term financial stability, the management is negotiating with banks for long term project loans to finance the up-coming payments of the Group's acquisitions. The management is also considering different options to raise the proportion of capital financing including but not limited to placement of new shares, if the market condition allows.

Some of the Group's revenue and costs and expenses are settled in currencies other than the functional currencies of the Group's subsidiaries. To mitigate exposure to exchange rates volatility, the Group enters into forward foreign currency contracts.

Save as disclosed herein, the Group had no material contingent liabilities or pledge of assets as at 31 December 2018.

Investments, disposals and capital commitments

For the year ended 31 December 2016

Capital commitment

As at 31 December 2016, the Group had capital commitment of approximately RMB14 million (2015: RMB16 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located. The investment commitment for the factory in Sichuan was made when the land for the factory, which commenced operation in 2008, was acquired and included amount invested in land development, factory construction, equipment acquisition and other investments made for production start-up.

Save as disclosed herein, the Group had no other material capital commitments, investments, acquisitions or disposals as at 31 December 2016.

For the year ended 31 December 2017

Investments

As set out in note 42 to the consolidated financial statements set out in the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018, the Group entered into the sale and purchase agreements in connection with the Pteris Acquisition and the TianDa Acquisition on 4 December 2017 to acquire equity interests in Pteris and TianDa. The completion of the Pteris Acquisition and the TianDa Acquisition were subject to certain conditions precedent, including but not limited to, the approval of the shareholders of the Company eligible to vote at the extraordinary general meeting to held on 11 April 2018. Details of the Pteris Acquisition and the TianDa Acquisition were also set out in the circular of the Company dated 15 March 2018.

Capital commitment

As at 31 December 2017, the Group had capital commitment of approximately RMB7 million (2016: RMB14 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located.

Save as disclosed herein, the Group has no other material capital commitments, investments, acquisitions or disposals as at 31 December 2017.

For the year ended 31 December 2018

Investments

Apart from the Pteris Acquisition and Tianda Acquisition, which has been completed in April 2018, and the Acquisition, the Group has entered into the following agreements in relation to investments made during the year:

(1) On 20 July 2018, the Group entered into an agreement to subscribe for RMB97,000,000 newly increased registered capital of CIMC Finance, representing 10.54% equity interests of its enlarged registered share capital, at a cash consideration of RMB149,995,328.18. The Group expects that the investment will strengthen the relationship between the Group and CIMC Finance, from which the Group can have better financial support. Besides, the investment also provides an additional income stream to the Group given the sound financial track records of CIMC Finance. CIMC Finance was accounted for as an associate of the Group and has contributed profit of approximately RMB887,000 to the Group since the subscription to its enlarged registered capital were completed at the beginning of December 2018.

(2) On 20 July 2018, the Group entered into an equity transfer agreement to acquire 10% equity interests in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) from a subsidiary of CIMC, at nil consideration and to assume the vendor's obligation to contribute RMB10,000,000 to the registered capital of Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司). Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) is a newly established company and an indirect wholly-owned subsidiary of CIMC. It is principally engaged in the trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services. Taking advantage of the solid relationship that CIMC has built up with its suppliers, Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) has established robust sourcing channels. The investment is expected to secure a consistent and reliable supply of ancillary materials and products and services from Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) for the Group's production activities through fostering a closer relationship with Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司). The investment in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) was completed in January 2019.

(3) On 28 August 2018, the Group entered into an equity transfer agreement to acquire 5% equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) from a subsidiary of CIMC, at nil consideration and to assume the vendor's obligation to contribute RMB10,000,000 to the registered capital of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司). Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. Taking advantage of the solid relationship that CIMC has built up with suppliers, Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) has established strategic collaborations with domestic steel plants in the PRC. The investment is expected to secure a consistent and reliable supply of steel products and services from Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) for the Group's production activities through foster a closer relationship with Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司). The investment in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) was completed in January 2019.

(4) On 19 October 2018, the Group entered into an equity transfer agreement, pursuant to which, the Group will acquire the entire equity interests in Shanghai Jindun, a company principally engaged in the manufacturing of fire engines and equipment, at a consideration of RMB381,800,000 (subject to deductions). Apart from the financial contributions, the investment is expected to strengthen the Group's portfolio of fire engines and enlarge its production capacity and geographical market coverage, especially in the south-eastern costal area of the PRC and the Yangtze River Delta region. Completion of the acquisition of Shanghai Jindun took place on 29 April 2019.

The completion of the Acquisition is subject to the Conditions Precedent under the Equity Transfer Agreement which include, in particular, the approval of the Shareholders in the EGM.

Capital commitment

Apart from the consideration to be paid in respect of the investments detailed above which amounted to approximately RMB647.3 million (net of prepayment of approximately RMB354.5 million paid), as at 31 December 2018, the Group had capital commitment in respect of (i) construction costs of properties which amounted to approximately RMB58.2 million (2017: RMB158.1 million) (amount approved but not contracted for); and (ii) investment amount committed to the local government of the county in Sichuan where one of the Group's factory is located amounted to approximately RMB5.2 million.

Save as disclosed herein, the Group had no material capital commitment, material investments, acquisitions or disposals during the year ended 31 December 2018.

Employees and remuneration policies

For the year ended 31 December 2016

As at 31 December 2016, the Group had 550 full-time employees (2015: 576). Staff costs for the year (excluding directors' remuneration and those incurred for the discontinued operations) was RMB53.2 million (2015: RMB48.2 million). The Company issued share options to certain directors and employees in August 2015. Subject to the vesting conditions, the options were to be vested in a maximum of 2 years. They were valued at HK$20 million (approximately RMB16.6 million) at the date of grant and among which, HK$10.0 million (approximately RMB8.6 million) in relation to the value of the options for the year ended 31 December 2016 were charged to the profit for the year ended 31 December 2016 as share based payments. The share based payments charged to the profit for the year ended 31 December 2015, from the date of grant to 31 December 2015, were HK$5.0 million (approximately RMB4.1 million).

All full-time employees were entitled to medical contributions, provident funds and retirement plans. The Group provided a series of comprehensive on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

For the year ended 31 December 2017

As at 31 December 2017, the Group had approximately 567 full-time employees (2016: 550). Staff costs (excluding directors' remuneration) for the year was RMB55.1 million (2016: RMB53.2 million) and included in which was the share based payments amounted to RMB3.8 million (2016: RMB6.6 million) from the amortization of the fair value of share options over the two years vesting period commencing July 2015. Apart from the annual salaries and wage adjustment, staff costs for the year grew mainly due to the increase in number of staff for the research and development function.

All full-time employees were entitled to medical contributions, provident funds and retirement plans. The Group provided a series of comprehensive on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

For the year ended 31 December 2018

For the year ended 31 December 2018, the Group had 2,523 staff (2017: 1,734) and incurred staff costs (excluding directors' remuneration) of approximately RMB384.6 million (2017: RMB288.1 million). Number of staff increased mainly due to the business combination of the Company (immediately prior to the completion of the Pteris Acquisition) and Pteris, and additional staff hired due to increased orders, especially for the PBB and MHS segments. Apart from the increase in number of staff, staff costs rose because of annual salaries adjustments and increase in expenditure on other benefits. Staff are remunerated by monthly salaries payment plus performance incentives payable quarterly or yearly. All full-time employees are entitled to medical, provident funds and housing funds contributions. The Group adopted share option schemes which offer eligible employees an incentive for better performance and loyalty with the Group.

The Group arranged in-house trainings periodically to staff at all levels according to their needs, like orientations on corporate culture, policies, products knowledge and basic job skills for new staff; leadership, management and strategic planning skills for managerial staff; and seminars and workshops on selected topics like project management, costs management, business planning and work safety. Employees may apply for subsidies to participate in job relevant trainings offered by recognized institutions.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the operation results and business review of the Target Group for each of the three years ended 31 December 2016, 2017 and 2018.

Business review

The Target Company is a company established under the laws of the PRC with limited liability. The Target Group is principally engaged in the manufacturing of fire engines in the PRC with specialisation in aerial lifting fire trucks.

As at the Latest Practicable Date, the Target Group comprises three members, namely the Target Company, Fushun Shunda and Shenyang Ruida. Each of Fushun Shunda and Shenyang Ruida is a company established under the laws of the PRC with limited liability and is a direct wholly-owned subsidiary of the Target Company. Fushun Shunda and Shenyang Ruida are principally engaged in the manufacturing of parts and components of fire engines.

Revenue

The Target Group generates its revenue solely from the sales of fire trucks.

For the three years ended 31 December 2016, 2017 and 2018, the revenue of the Target Group was approximately RMB628,145,000, RMB635,625,000 and RMB753,299,000, respectively.

The revenue remained relatively stable for the year ended 31 December 2017 compared to the year ended 31 December 2016. The increase in revenue of approximately 18.51% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the (i) overall increase in sales volume; (ii) certain large orders obtained from certain fire brigades in the PRC; (iii) the increase in sales of 50-metre-plus aerial lifting fire trucks, the price of which is generally higher; and (iv) the increase in sales of traditional fire engines brought about by the revamped passenger cabin design with the use of the purpose-built fire engines chassis.

Cost of sales

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

For the three years ended 31 December 2016, 2017 and 2018, the cost of sales of the Target Group was approximately RMB450,766,000, RMB437,785,000 and RMB506,668,000, respectively.

The decrease in cost of sales of approximately 2.88% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the decrease in the total number of fire engines sold. The increase in cost of sales of approximately 15.73% for the year ended 31 December 2018 compared to the year ended 31 December 2017 corresponded to the increase in sales volume of fire engines.

Gross profit

For the three years ended 31 December 2016, 2017 and 2018, the gross profit of the Target Group was approximately RMB177,379,000, RMB197,840,000 and RMB246,631,000, respectively.

The increase in gross profit of approximately 11.54% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the change in sales mix with an increase in number of advanced high-value-added aerial lifting fire trucks sold, which resulted in the increase in gross profit margin in respect of the sales of fire trucks from 28.24% in 2016 to 31.13% in 2017.

The increase in gross profit of approximately 24.66% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in sale of advanced high-value-added aerial lifting fire trucks and fire trucks with purpose-built fire engine chassis, which generates higher profit margin and giving rise to the increase in gross profit margin in respect of the sales of fire trucks from 31.13% for the year ended 31 December 2017 to 32.74% for the year ended 31 December 2018.

Other income

The other income of the Target Group primarily consists of government grants, interest income from bank deposits, repairs and maintenance service income, reversal of impairment loss recognized on trade receivables, gain on disposal of property, plant and equipment and sundry income.

For the three years ended 31 December 2016, 2017 and 2018, other income of approximately RMB3,227,000, RMB5,169,000 and RMB5,082,000 were recorded, respectively.

The increase in other income of approximately 60.18% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the receipt of a new government technological improvement grant, the increase in repairs and maintenance service income and gain on disposal of property, plant and equipment.

The other income remained relatively stable for the year ended 31 December 2018 compared to the year ended 31 December 2017 although there was a change in its composition. Government grants, which are normally granted irregularly and on a project by project basis, decreased for the year ended 31 December 2018. On the other hand, a reversal of impairment loss on trade receivables was recognized for the year ended 31 December 2018 due to the decrease in amount of relatively aged trade receivables as at 31 December 2018 as compared to 31 December 2017.

Selling and distribution expenses

The selling and distribution expenses of the Target Group primarily consist of staff costs, travelling expenses, entertainment expenses, tender-related expenses, warehousing expenses and promotion and advertising expenses.

For the three years ended 31 December 2016, 2017 and 2018, the selling and distribution expenses of the Target Group were approximately RMB15,181,000, RMB20,999,000 and RMB30,237,000, respectively.

The increase in selling and distribution expenses of approximately 38.32% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the increase in staff costs, travelling expenses and entertainment expenses associated with increased marketing efforts to promote the newly developed products, tender-related expenses, warehousing expenses and promotion and advertising expenses. New sales representatives were recruited during the year 2017 for business development and resulted in the increase in staff costs and other sales-related expenses including travelling, entertainment and tender-related expenses. Additional advertising expenses were incurred as the Target Group participated in the China Fire Expo 2017 held in Beijing during the year 2017.

The increase in selling and distribution expenses of approximately 43.99% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in staff costs, travelling expenses, entertainment expenses and tender-related expenses. In addition to the annual salaries adjustment, staff costs increased because it included bonus paid for 2017 as well as bonus accrued for 2018, as a result of the adoption of accrual accounting for bonus to management and staff since 2018. Bonus was previously recorded as an expense only in the year of payment, which was the year following the year of bonus incurred. Additional travelling, entertainment and tender-related expenses were incurred as the Target Group increased its efforts for business development.

Administrative expenses

The administrative expenses of the Target Group primarily consist of staff costs including contributions to social insurance, depreciation and amortization, research and development, inspection charges, travelling expenses and entertainment expenses.

For the three years ended 31 December 2016, 2017 and 2018, the administrative expenses of the Target Group were approximately RMB91,839,000, RMB99,014,000 and RMB112,508,000, respectively.

The increase in administrative expenses of approximately 7.81% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the increase in staff costs and benefits including contributions to social insurance due to additional staff recruited and a pay raise since April 2017 together with the provision of one-off subsidies to certain senior staff.

The increase in administrative expenses of approximately 13.63% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in staff costs and benefits including contributions to social insurance and research and development expenses. The increase in staff costs and benefits was due to (i) the inclusion of both the bonus paid for 2017 and the bonus accrued for 2018 for the year ended 31 December 2018. Bonus was previously recorded as an expense only in the year of payment, which was the year following the year of bonus incurred. Since 2018, accrual for bonus was adopted for accounting of bonus to management and staff; (ii) the annual salaries adjustments; and (iii) the increase in staff benefits including contributions to social insurance and housing provident fund. The increase in research and development expenses was primarily attributable to the increase in the number of research and development projects including 60-metre aerial lifting fire trucks, 42-metre ladder trucks with purpose-built chassis and heavy foam fire trucks.

Finance costs

The finance costs of the Target Group consist solely of interest on bank borrowings.

For the three years ended 31 December 2016, 2017 and 2018, the finance costs of the Target Group were approximately RMB9,782,000, RMB8,049,000 and RMB9,362,000, respectively.

The decrease in finance costs of approximately 17.72% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the decrease in the amount of bank borrowings and the decrease in interest rates of the bank borrowings.

The increase in finance costs of approximately 16.31% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in the amount of bank borrowings and their interest rates.

Profit before income tax and profit for the year

As a result of the factors above, for the three years ended 31 December 2016, 2017 and 2018, the profit before income tax of the Target Group was approximately RMB63,445,000, RMB74,091,000, and RMB99,070,000, respectively and the profit of the Target Group was approximately RMB51,995,000, RMB61,656,000 and RMB86,462,000, respectively.

The increase in profit of the Target Group of approximately 18.58% for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily attributable to the increase in gross profit as a result of the increase in revenue and the gross profit margin.

The increase in profit of the Target Group of approximately 40.23% for the year ended 31 December 2018 compared to the year ended 31 December 2017 was primarily attributable to the increase in revenue and the gross profit margin.

Liquidity, financial resources, capital structure and major balance sheet items

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

	As at 31 December 2016 (audited) *RMB'000*	As at 31 December 2017 (audited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
Non-current assets	321,492	302,037	281,846
Current assets	844,660	792,272	929,633
Total assets	1,166,152	1,094,309	1,211,479
Non-current liabilities	24,672	177,338	43,004
Current liabilities	509,893	223,728	388,770
Total liabilities	534,565	401,066	431,774
Net current assets	334,767	568,544	540,863
Net assets	631,587	693,243	779,705

Inventories

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

	As at 31 December 2016 (audited) *RMB'000*	As at 31 December 2017 (audited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
Raw materials	104,193	75,580	65,500
Work-in-progress	77,279	101,734	212,287
Total inventories	181,472	177,314	277,787

The inventories of the Target Group remained relatively stable as at 31 December 2017 compared to 31 December 2016.

The increase in inventories of the Target Group of approximately 56.66% from 31 December 2017 to 31 December 2018 was primarily attributable to (i) the increase in production capacity of the factory in Fushun, Shenyang subsequent to the completion of training for workers on production of purpose-built chassis; (ii) the increase in production volume of aerial lifting fire trucks in the second half of 2018 which have longer production lead time and higher book value; and (iii) a number of fire engines which remained in inventories at 31 December 2018 as the relevant customer deferred the inspection schedule.

Trade receivables

The trade receivables of the Target Group consist solely of proceeds receivable from the sale of goods.

As at 31 December 2016, 31 December 2017 and 31 December 2018, the trade receivables of the Target Group were approximately RMB368,771,000, RMB400,425,000 and RMB450,207,000, respectively.

The increase in trade receivables of the Target Group of approximately 8.58% from 31 December 2016 to 31 December 2017 was primarily attributable to (i) the year-to-year increase in revenue from sales; and (ii) the increase in sales of aerial lifting fire trucks, the price of which is generally higher.

The increase in trade receivables of the Target Group of approximately 12.43% from 31 December 2017 to 31 December 2018 was primarily attributable to the increase in sale for the year ended 31 December 2018.

Despite the increase in the amount of trade receivables over the years from 2016 to 2018, there was an improvement in the aging analysis. Trade receivables aged over one year or more decreased from approximately 27.4% as at 31 December 2017 to approximately 10.0% as at 31 December 2018. The decrease in relatively aged receivables was mainly due to the strengthened control over receivables collection by the management of the Target Company. Sales representatives were requested to follow up with all customers with overdue receivables and report their status on a daily basis.

Other receivables, deposits and prepayments

The other receivables, deposits and prepayments of the Target Group consist of other receivables and deposits, prepayments to suppliers, prepayments for acquisition of property, plant and equipment, and prepaid lease for land. The following table sets forth a summary of the Target Group's other receivables, deposits and prepayments as at the dates indicated below:

	As at 31 December 2016 (audited) *RMB'000*	**As at 31 December 2017** (audited) *RMB'000*	**As at 31 December 2018** (audited) *RMB'000*
Other receivables and deposits	38,676	43,773	38,505
Prepayments to suppliers	99,765	87,842	54,544
Prepayments for acquisition of property, plant and equipment	–	272	–
Prepaid lease for land	1,237	1,237	1,237
Total	139,678	133,124	94,286
Less: Current portion	(139,678)	(132,852)	(94,286)
Non-current portion	–	272	–

The other receivables, deposits and prepayments of the Target Group remained relatively stable as at 31 December 2017 compared to 31 December 2016.

The decrease in other receivables, deposits and prepayments of the Target Group of approximately 29.17% from 31 December 2017 to 31 December 2018 was primarily attributable to (i) the net off of a relatively large amount of prepayments to suppliers against amounts payable to suppliers as a result of timely delivery of purchased raw materials by suppliers before the end of 2018; and (ii) the reduction in procurement of raw materials from overseas suppliers which generally require relatively more significant portion of prepayments.

Property, plant and equipment

The property, plant and equipment of the Target Group consist of buildings and leasehold improvements, plant and machinery, motor vehicles, and furniture, fixtures and office equipment and are stated in the consolidated financial statements at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group recorded property, plant and equipment in the carrying amounts of approximately RMB269,654,000, RMB251,164,000 and RMB232,482,000, respectively. The general decrease in carrying amount of the property, plant and equipment of the Target Group was primarily attributable to the accumulated depreciation of the relevant assets and disposal of certain old shuttle bus for staff during the reporting period.

Prepaid lease for land

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group recorded prepaid lease for land in the carrying amounts of approximately RMB53,075,000, RMB51,838,000 and RMB50,601,000, respectively. The general decrease in carrying amount of prepaid lease for land of the Target Group was primarily attributable to the accumulated amortisation of the prepaid lease for land during the reporting period.

Treasury policies

The Target Group finances its working capital primarily through funds generated from operations and bank borrowings.

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

Trade payables

The trade payables of the Target Group consist primarily of amounts payable to suppliers of raw materials and parts and components for the production of fire engines.

As at 31 December 2016, 31 December 2017 and 31 December 2018, the trade payables of the Target Group were approximately RMB154,869,000, RMB86,353,000 and RMB68,696,000, respectively.

The decrease in trade payables of the Target Group of approximately 44.24% from 31 December 2016 to 31 December 2017 was primarily attributable to the timely settlement of outstanding invoices for raw materials procurement contributed by the satisfactory sales and receivables recovery towards the end of 2017.

The decrease in trade payables of the Target Group of approximately 20.45% from 31 December 2017 to 31 December 2018 was also primarily attributable to the timely settlement of trade payables with the improved cash inflow from trade receivables.

Other payables, accruals and contract liabilities

The other payables, accruals and contract liabilities of the Target Group consist of deferred income, other payables, contract liabilities, accruals and other loan. The following table sets forth a summary of the Target Group's other payables, accruals and contract liabilities as at the dates indicated below:

	As at 31 December 2016 (audited) *RMB'000*	**As at 31 December 2017** (audited) *RMB'000*	**As at 31 December 2018** (audited) *RMB'000*
Deferred income	1,334	1,334	1,334
Other payables	6,679	11,161	34,472
Contract liabilities (advance payment received)	158,446	111,359	119,860
Accruals	99	910	–
Other loan	6,078	5,878	5,878
Classified under current liabilities	172,636	130,642	161,544
Deferred income under non-current liabilities	24,672	23,338	22,004

Deferred income of the Target Group consists solely of government subsidy received by the Target Group for acquiring its prepaid lease for land, which would be credited to the statement of profit or loss as other income over the useful life of the land leases. The other loan of the Target Group consists solely of the Shenyang Finance Bureau Debt.

The decrease in other payables and accruals classified under current liabilities of the Target Group of approximately 24.33% from 31 December 2016 to 31 December 2017 was primarily attributable to the reduction in advanced payment required of the PRC local government customers which resulted from negotiations of sales contract terms with them.

The increase in other payables and accruals classified under current liabilities of the Target Group of approximately 23.65% from 31 December 2017 to 31 December 2018 was primarily attributable to (i) the adoption of accrual accounting for bonus to management and staff since 2018; (ii) an advance from a shareholder in November 2018 for the Target Group's operational use which was repaid in January 2019 after a large amount of cash inflow from receivables collected in the last week of December 2018; and (iii) a government grant that would be reclassified to other income when formal grant documents are obtained.

Cash and bank balances

As at 31 December 2016, 31 December 2017 and 31 December 2018, the cash and bank balances of the Target Group were approximately RMB154,739,000, RMB81,681,000 and RMB107,353,000, respectively, of which RMB20,000,000, RMB42,157,000 and RMB20,941,000, respectively, were restricted bank balances pledged to banks for bid bond guarantees and performance guarantees issued by such banks to customers of the Target Group.

The decrease in cash and bank balances of the Target Group from 31 December 2016 to 31 December 2017 was primarily attributable to the net cash used in operating activities due to the reduction in advanced payment from customers, and net decrease in bank loans.

The increase in cash and bank balances of the Target Group from 31 December 2017 to 31 December 2018 was primarily attributable to the net cash generated from operating activities, primarily as a result of the increase in revenue from sales for the year ended 31 December 2018, and a net increase in bank loans.

The cash and bank balances of the Target Group were all denominated in RMB.

Borrowings

All of the borrowings of the Target Group are bank borrowings at fixed interest rates. For the three years ended 31 December 2016, 2017 and 2018, the interest rate per annum of the bank borrowings ranged from 4.35% to 7.25%, 4.35% to 5.32% and 5.32% to 5.44%, respectively. The bank borrowings of the Target Group were all denominated in RMB.

As at 31 December 2016, the bank borrowings of the Target Group were approximately RMB169,000,000 which were repayable within one year. As at 31 December 2017, the bank borrowings of the Target Group were approximately RMB154,000,000 which were repayable within five years but more than one year. As at 31 December 2018, the bank borrowings of the Target Group were approximately RMB175,000,000, of which RMB154,000,000 were repayable within one year and RMB21,000,000 were repayable within five years but more than one year.

All the bank borrowings as at 31 December 2016, 31 December 2017 and 31 December 2018 were secured by certain buildings and prepaid lease for land of the Target Group as further disclosed in the section headed "Charge on assets" below.

The secured bank borrowings were also secured by (i) the equity interest of Fushun Shunda, a subsidiary of the Target Company; and (ii) personal guarantees of one of the directors of the Target Company and his spouse.

Cash flow

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

	For the year ended 31 December 2016 (audited) *RMB'000*	**For the year ended 31 December 2017** (audited) *RMB'000*	**For the year ended 31 December 2018** (audited) *RMB'000*
Net cash from/(used in) operating activities	90,060	(47,858)	17,462
Net cash from/(used in) investing activities	(14,536)	(2,151)	(3,428)
Net cash from/(used in) financing activities	(9,782)	(23,049)	11,638
Net increase/(decrease) in cash and cash equivalents	65,742	(73,058)	25,672
Cash and cash equivalents at the end of the year, represented by cash and bank balances	154,739	81,681	107,353

Gearing ratio

As at 31 December 2016, 31 December 2017 and 31 December 2018, the gearing ratio of the Target Group (calculated as a percentage of interest bearing debt to total equity of the Target Group) was approximately. 27.72%, 23.06% and 23.20%, respectively.

Capital commitments

Apart from the capital commitment for the acquisition of property, plant and equipment which amounted to RMB1,128,000 as at 31 December 2017, the Target Group had no capital commitment during the reporting period.

Hedging

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

Significant investments held

The Target Group did not hold any significant investment for the three years ended 31 December 2016, 2017 and 2018.

Material acquisitions and disposals

The Target Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures for the three years ended 31 December 2016, 2017 and 2018.

The Target Group has no specific future plans for material investments or capital assets.

Employees and remuneration policies

As at 31 December 2016, 31 December 2017 and 31 December 2018, the total number of employees of the Target Group was 713, 812 and 843, respectively.

For the three years ended 31 December 2016, 2017 and 2018, the total employee remuneration expenses (including directors' remuneration) of the Target Group were approximately RMB62,494,000, RMB67,573,000 and RMB105,315,000, respectively. The increase in staff costs over the reporting period was primarily attributable to (i) the increase in number of workers and staff due to the expansion in sales and business development; (ii) the annual salaries adjustment; and (iii) the adoption of accrual accounting for bonus to management and staff since 2018.

The Target Group contributes to defined contribution retirement schemes which are available to all of its employees in accordance with the relevant laws and regulations in the PRC. Employees of the Target Group are entitled to discretionary bonus, and will be awarded attendance bonus for full attendance and monetary rewards for introducing creative ideas on product design and work improvement and for other contributions to the Target Group.

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

Charges on assets

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group pledged (i) the following assets; (ii) the equity interest of Fushun Shunda, a subsidiary of the Target Company; and (iii) personal guarantees of one of the directors of the Target Company and his spouse in favour of banks in order to secure the bank borrowings of the Target Company:

	As at 31 December 2016 (audited) *RMB'000*	As at 31 December 2017 (audited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
Building	187,543	179,941	169,321
Prepaid lease for land	53,075	51,838	50,601
Total	240,618	231,779	219,922

Exposure to fluctuations in exchange rates and related hedges

All of the Target Group's revenue and expenses are denominated in RMB and most of the Target Group's assets and liabilities are denominated in RMB, which is the functional currency of all the members of the Target Group. The Target Group also uses RMB as its reporting currency. The Directors believe that the Target Group's operations are not currently subject to any significant direct foreign exchange risk and the Target Group did not use any financial instruments to hedge its exposure to such risk. The management of the Target Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group had no material contingent liabilities.

Outlook and future prospects

The Target Group is principally engaged in the manufacturing of fire engines in the PRC with specialisation aerial lifting fire trucks. As at the Latest Practicable Date, the Target Group comprises three members, namely the Target Company, Fushun Shunda and Shenyang Ruida. Fushun Shunda and Shenyang Ruida are principally engaged in the manufacturing of parts and components of fire engines.

Demand for fire engines in the PRC depends substantially on quantitative and qualitative equipment standards imposed by the government. The fire engine manufacturing industry in the PRC has been rapidly growing and it is expected that there will be a continuous growth in domestic demand for fire engines in the PRC attributable to various standards issued by the PRC government as well as the accelerating urbanization of the PRC.

According to the Construction Standards for Urban Fire Station (Jianbiao [2017] No. 75)* (城市消防站建設標準(建標[2017]75號)) issued by the Fire Department of the Ministry of Public Security of the PRC, every (i) small fire station; (ii) class 2 fire station; (iii) class 1 fire station; and (iv) special service and combat support fire stations in the PRC must equip at least (i) two; (ii) two to four; (iii) five to seven; and (iv) eight to 11 fire engines, respectively. In particular, every class 1 fire station and special service fire station must equip at least one aerial lifting fire truck. According to the Guidance Opinion in respect of Strengthening Urban Public Fire Fighting Facility and Basic Level Fire Fighting Organizational Construction (Gongtongzi [2015] No. 24)* (關於加強城鎮公共消防設施和基層消防組織建設的指導意見(公通字[2015]24號)) issued by the Fire Department of the Ministry of Public Security of the PRC, urban fire-fighting facility should be up to standard by 2020.

The Company expects that the PRC government will continue to strengthen the quantitative and qualitative equipment standards imposed on fire stations and will invest more time and resources to ensure existing fire stations are compliant with the aforementioned standards by 2020.

Leveraging on its reputation as a designated professional manufacturer of aerial lifting fire trucks and its patented technologies, the Target Group will seek to capture the business opportunities promoted by the above official targets and continue to consolidate its leadership position in the manufacture of aerial lifting fire trucks. The Target Group will continue to improve its existing products and will strengthen its research and development on design and manufacturing of fire engine chassis as well as aerial lifting fire trucks and other advanced high-value-added fire engines. The Target Group will also further broaden its geographical market coverage in the fire engine manufacturing industry and enhance its production capacity.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or 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 in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued Shares
Jiang Xiong	Beneficial owner	981,600,000	6.78%

Share options of the Company

Name of Director	Number of Shares issuable under the share options of the Company	Approximate percentage of issued Shares
Jiang Xiong	4,000,000	0.028%
Loke Yu	4,000,000	0.028%
Heng Ja Wei	4,000,000	0.028%
Ho Man	2,000,000	0.014%
	14,000,000	0.098%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no other person had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

So far as is known to the Directors and chief executives of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares interested (other than under equity derivatives) *(Note 11)*	Number of Shares interested under equity derivatives *(Note 12)*	Total number of Shares and underlying Shares under equity derivatives *(Note 12)*	Percentage of issued Shares *(Note 13)*
Sharp Vision	Beneficial owner	6,164,472,279 (L)	3,454,490,318 (L)	9,618,962,597 (L)	50.5%
Top Gear	Beneficial owner	1,223,571,430 (L)	–	1,223,571,430 (L)	6.4%
Cooperatie CIMC U.A	Interest of a controlled corporation *(Note 2)*	1,223,571,430 (L)	–	1,223,571,430 (L)	6.4%
CIMC HK	Interest of a controlled corporation *(Note 3 & 4)*	7,388,043,709 (L)	3,454,490,318 (L)	10,842,534,027 (L)	56.9%
CIMC	Interest of a controlled corporation *(Note 5)*	7,388,043,709 (L)	3,454,490,318 (L)	10,842,534,027 (L)	56.9%
Fengqiang	Beneficial owner	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693 (L)	13.7%
Fengqiang HK	Interest of a controlled corporation *(Note 6)*	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693 (L)	13.7%
TGM	Interest of a controlled corporation *(Note 6)*	2,290,956,291 (L)	325,795,402 (L)	2,616,751,693 (L)	13.7%
Genius Earn Limited	Beneficial owner	115,375,000 (L)	–	115,375,000 (L)	0.6%
Lucky Rich	Beneficial owner	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
Shanghai Yunrong Investment Centre* (上海蘊融投資中心(有限合夥))	Interest of a controlled corporation *(Note 7)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%

Name	Capacity/Nature of interest	Number of Shares interested (other than under equity derivatives) *(Note 11)*	Number of Shares interested under equity derivatives *(Note 12)*	Total number of Shares and underlying Shares under equity derivatives *(Note 12)*	Percentage of issued Shares *(Note 13)*
Shenzhen Jiuming Investment Consulting Co., Ltd.* (深圳市久名投資諮詢有限公司)	Interest of a controlled corporation *(Note 7)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
Liu Xiaolin	Interest of a controlled corporation *(Note 8)*	1,380,054,470 (L)	697,884,300 (L)	2,077,938,770 (L)	10.9%
Yang Yuan	Interest of Spouse *(Note 9)*	1,380,054,470 (L)	697,884,300 (L)	2,077,938,770 (L)	10.9%
Dazi Dingcheng Capital Investment Co., Ltd.* (達孜縣鼎誠資本投資有限公司)	Interest of a controlled corporation *(Note 10)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
Beijing Zhongrong Dingxin Investment Management Co., Ltd.* (北京中融鼎新投資管理有限公司)	Interest of a controlled corporation *(Note 10)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 10)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%
Jingwei Textile Machinery Co., Ltd.	Interest of a controlled corporation *(Note 10)*	1,264,679,470 (L)	697,884,300 (L)	1,962,563,770 (L)	10.3%

Notes:

1. The letter "L" denotes a long position in Shares.

2. Cooperatie CIMC U.A. is beneficially interested in the entire share capital of CIMC Top Gear B.V. and is taken to be interested in the 1,223,571,430 shares in which CIMC Top Gear B.V. has declared interest for the purpose of the SFO.

3. CIMC HK and CIMC are beneficially interested in 1% and 99% respectively of the issued share capital of Cooperatie CIMC U.A. and are taken to be interested in the 1,223,571,430 shares in which Cooperatie CIMC U.A. has declared interest for the purpose of the SFO.

4. CIMC HK is beneficially interested in the entire share capital of Sharp Vision and is taken to be interested in the 6,164,472,279 shares and 3,454,490,318 shares interested under equity derivatives in which Sharp Vision has declared interest for the purpose of the SFO.

5. CIMC is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 6,164,472,279 shares and 3,454,490,318 shares interested under equity derivatives in which CIMC HK has declared interest for the purpose of the SFO.

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

7. Shanghai Yunrong Investment Centre is beneficially interested in the entire share capital of Lucky Rich and is deemed or taken to be interested in the 1,264,679,470 shares and 697,884,300 shares interested under equity derivatives in which Lucky Rich has declared an interest for the purpose of SFO. Shenzhen Jiuming Investment Consulting Co., Ltd. is beneficially interested in 0.2% of Shanghai Yunrong Investment Centre.

8. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 115,375,000 shares in which Genius Earn Ltd. has declared an interest for the purpose of the SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming Investment Consulting Co., Ltd.

9. Ms. Yang Yuan is the spouse of Mr. Liu Xiaolin. Ms. Yang Yuan is taken to be interested in the shares in which Mr. Liu Xiaolin has declared interest for the purpose of the SFO.

10. Dazi Dingcheng Capital Investment Co., Ltd. is beneficially interested in 0.2% of the issued share capital of Shanghai Yunrong Investment Centre. Beijing Zhongrong Dingxin Investment Management Co., Ltd. is beneficially interested in the entire issued share capital of Dazi Dingcheng Capital Investment Co., Ltd. and is beneficially interested in 88.5% of the issued share capital of Shanghai Yunrong Investment Centre. Zhongrong International Trust Co., Ltd. is beneficially interested in the entire issued share capital of Beijing Zhongrong Dingxin Investment Management Co., Ltd. Jingwei Textile Machinery Co., Ltd. is beneficially interested in 37.47% of the issued share capital of Zhongrong International Trust Co., Ltd.

11. The number of shares represents the number of shares held in the issued share capital of the Company at the Latest Practicable Date.

12. The number of shares represents the number of shares held the outstanding convertible bonds held have been fully converted.

13. Percentage calculated based on the total number of shares of the Company in issue, assuming (i) all of the convertible bonds of the Company have been fully converted; and (ii) all of the share options of the Company have been exercised.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Director and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS OF THE ENLARGED GROUP

Pursuant to a sale and purchase agreement dated 4 December 2017 entered into by and among Wang Sing, the Company, Sharp Vision and Fengqiang, Wang Sing agreed to acquire, and Sharp Vision and Fengqiang agreed to sell, 383,064,391 ordinary shares of Pteris (representing approximately 99.41% of the equity interests in Pteris). Fengqiang is wholly-owned by TGM, a company established in the PRC with limited liability which is owned by the employees of the Pteris Group. Mr. Zheng Zu Hua and Mr. Luan You Jun, each being an executive Director, hold approximately 7.2% and 4.5% of the equity interests in TGM, respectively. The Pteris Acquisition was completed on 23 April 2018. Please refer to the announcements of the Company dated 23 April 2018 and 4 May 2018 and the circular of the Company dated 15 March 2018 for further details of the Pteris Acquisition.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2017 (being the date to which the latest published audited accounts of the Group were made up).

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or terminable by the Company or any of its subsidiaries within one year without payment of any compensation (other than statutory compensation).

7. LITIGATION

Rental dispute

A subsidiary of the Company was named as a defendant in a litigation case in Chengdu in respect of a rental dispute for a property leased for operating a hotel. The Company sold the hotel business in 2014. The subsidiary lost in the case and the Company made a provision for the claims against the Group of approximately RMB16,224,000 for the year ended 31 December 2016 (disclosed as other expenses in the annual report of the Group for the year ended 31 December 2016). The subsidiary appealed and the court of appeal overturned the original judgment and ordered a retrial in June 2017. The landlord and the Company entered into a settlement agreement in January 2019, pursuant to which the Group agreed to pay a sum of approximately RMB3.5 million to the landlord as full and final settlement of the rental dispute.

Property damage compensation dispute

A subsidiary of the Company filed a lawsuit in July 2018 against the China Railway 22th Bureau and the Shenzhen Metro Group for the loss and damages to the properties of the Group's factory in Shenzhen due to the sedimentation caused by the subway construction in relation to the Shenzhen International Convention and Exhibition Centre project. The subsidiary claimed for compensation in the amount of RMB170,147,725.39. The first court hearing was held in the court of first instance in September 2018. No judgment has been delivered by the court as at the Latest Practicable Date.

Investment dispute

A subsidiary of the Company filed a written administrative accusation* (行政起訴狀) on 30 December 2018 against the Fujian Province Longyan City Housing and Urban Construction Bureau* (福建省龍岩市住房和城鄉建設局), pursuant to which, the subsidiary petition for an official termination of the contract with the Fujian Province Longyan City Housing and Urban Construction Bureau* (福建省龍岩市住房和城鄉建設局) for the construction of public car parks on the basis that the contract is unfulfillable and for a compensation of approximately RMB26.8 million for the losses and damages suffered. No judgement has been delivered by the court as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any members of the Enlarged Group.

8. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered or to be entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) an equity transfer agreement dated 8 May 2017 entered into between Zhengzhou Jinjibao Electronic Technology Co., Ltd.* (鄭州金集寶電子科技有限公司) and four other individuals as sellers, and TianDa and Kunshan CIMC Logistic Automation Equipment Co., Ltd.* (昆山中集物流自動化設備有限公司) (a wholly-owned subsidiary of TianDa) as purchasers in relation to the transfer of 100% equity interests in Zhengzhou KT logistics Automation System Co., Ltd.* (鄭州金特物流自動化系統有限公司) at the consideration of RMB20 million;

(b) an equity transfer agreement dated 4 December 2017 entered into between Wang Sing and Lucky Rich in relation to the acquisition by Wang Sing of 30% of the equity interests of TianDa held by Lucky Rich at the consideration of RMB610,553,589;

(c) a sale and purchase agreement dated 4 December 2017 entered into by and among Wang Sing, the Company, Sharp Vision and Fengqiang in relation to the acquisition by Wang Sing of 383,064,391 ordinary shares of Pteris held by Sharp Vision and Fengqiang (representing approximately 99.41% of the issued share capital of Pteris) at the consideration of RMB3,806,530,716;

(d) a subscription agreement dated 6 February 2018 entered into between the Company and State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership)* (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in relation to the subscription of 673,225,000 new shares of the Company to be issued and allotted at the subscription price of HK$0.366 per share;

(e) an agreement dated 20 July 2018 entered into by and among CIMC, Shenzhen Southern CIMC Containers Manufacture Co., Ltd.* (深圳南方中集集裝箱製造有限公司), TianDa, CIMC Enric (Jingmen) Energy Equipment Company Limited* (中集安瑞科(荊門)能源裝備有限公司) and CIMC Modern Logistics Development Co., Ltd.* (中集現代物流發展有限公司) in relation to the subscription for registered capital of RMB97,000,000 of CIMC Finance by TianDa at the consideration of RMB149,995,328.18;

(f) an equity transfer agreement dated 20 July 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) in relation to the acquisition by the Purchaser of 10% of the equity interests in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration and to assume the obligation of CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) to contribute RMB10,000,000 to the registered capital of CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司);

(g) the Equity Transfer Agreement;

(h) an equity transfer agreement dated 28 August 2018 entered into between the Purchaser and CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) in respect of the acquisition by the Purchaser of 5% of the equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) from CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) at nil consideration and to assume the obligation of CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) to contribute RMB10,000,000 to the registered capital of CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司);

(i) an equity transfer agreement dated 19 October 2018 entered into by and among the Purchaser, Shanghai Jindun Fire-Fighting, the Company, Shanghai Jindun and Zhou Xiangyi (周象義) in respect of the acquisition by the Purchaser of the entire equity interests in Shanghai Jindun from Shanghai Jindun Fire-Fighting at the consideration of RMB381,800,000 (subject to deductions); and

(j) the Supplemental Agreement.

Save as disclosed above, there is no material contract (not being entered into in the ordinary course of business) entered into by any member of the Enlarged Group within the two years immediately preceding the issue of this circular.

9. QUALIFICATIONS OF EXPERTS AND CONSENTS

The following are the qualifications of experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
BDO Limited	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts did not have any shareholding, direct or indirect, in any member of the 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 Enlarged 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 the references to its name and/or its opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (other than Saturday, Sunday and public holidays) 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, from the Latest Practicable Date up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018;

(d) the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018;

(e) the accountants' report on the Target Group prepared by BDO Limited for the three financial years ended 31 December 2018, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix III to this circular;

(g) the material contracts set out in the section headed "General information – Material Contracts" in this appendix;

(h) the written letters of consent referred to in the section headed "General Information – Qualifications of Experts and Consents" in this appendix;

(i) a copy of the circular of the Company dated 25 March 2019; and

(j) a copy of this circular.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Li Ching Wah. She is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The principal place of business of the Company in Units A-B, 16/F China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong.

(d) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of CIMC-TianDa Holdings Company Limited (the "**Company**") will be held at Empire Room I, 1/F, Empire Hotel Hong Kong – Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 14 June 2019 (Friday) at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company. Unless otherwise defined, capitalized terms used herein shall have the same meanings as defined in the circular of the Company dated 24 May 2019.

ORDINARY RESOLUTION

"**THAT**

(a) the form and substance of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorized on behalf of the Company to do all such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder."

By order of the Board
CIMC-TianDa Holdings Company Limited
Li Ching Wah
Company Secretary

Hong Kong, 24 May 2019

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

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

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

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

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

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy needs not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he or she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. The voting at the EGM shall be taken by poll.

7. The register of members of the Company will be closed from 11 June 2019 to 14 June 2019 (both days inclusive) for determining Shareholders' entitlement to attend and vote at the EGM, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on 10 June 2019.