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

(formerly known as China Fire Safety Enterprise Group Limited **中國消防企業集團有限公司***)*
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 445)

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

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

QUALIFIED ACCOUNTANT
Li Ching Wah, AHKICPA

COMPANY SECRETARY
Li Ching Wah, AHKICPA

MEMBERS OF AUDIT COMMITTEE
Loke Yu
Heng Ja Wei
Ho Man

MEMBERS OF REMUNERATION COMMITTEE
Loke Yu
Heng Ja Wei
Ho Man
Zheng Zu Hua

MEMBERS OF NOMINATION COMMITTEE
Heng Ja Wei
Loke Yu
Ho Man

MEMBERS OF RISK MANAGEMENT COMMITTEE
Zheng Zu Hua
Jiang Xiong
Luan You Jun
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, 16/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC
No. 9, Fuyuan 2nd Road
Fuyong, Baoan District
Shenzhen
PRC

WEBSITE
www.chinafire.com.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
SM Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road, P.O.Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

STOCK EXCHANGE LISTING
The Stock Exchange of Hong Kong Limited

STOCK CODE
445

I am delighted to present the first annual report of CIMC-TianDa Holdings Company Limited, the new name of the Company which marks the new page of the Group created from completing the acquisition of the Pteris Group on 23 April 2018.

Revenue and profit of the Group for the year were approximately RMB2,786.4 million and RMB172.6 million respectively, representing 4.3 times and 8.7 times increase if compared with that reported in the Group's annual report for 2017, or 67.6% and 44.2% growth if compared with the results of Pteris Group for 2017. As explained in more detail in the "Basis of preparation" in Note 2.1 to the consolidated financial statements, the reverse acquisition accounting was adopted to account for the acquisition of Pteris according to the requirement of the accounting standards and therefore, from the accounting perspective, Pteris was treated as the acquirer and CFE the acquired subsidiary. As such, the consolidated results of the Group for 2018, together with the comparative figures, are the results of the Pteris Group, with that of the CFE Group combined from date of acquisition, i.e. 23 April 2018.

The Group has grown larger and stronger, as can be easily seen from the financial results for the year. Instead of the single fire engines and equipment segment, the Group's business has expanded to include airport facilities, logistics automation equipment and systems and auto stereoscopic parking. Airport facilities, mainly passenger boarding bridges and ground support equipment (including special vehicles like airport apron buses, cargo loaders and catering vehicles etc.), are the largest core business of the Group with long development history and has contributed over 48.7% and of the Group's revenue and 80.1% of the total profit of all segments of the Group for 2018. As a global leader in the market, the Group's airport facilities have been sold to over 300 airports in more than 70 countries and regions on five continents. Moving on, we are going to set up more service centers to capture the opportunities in the growing after-sale services and bridge renovation markets and to increase investments in new products development to maintain a long-term growth. Logistics is a business segment on the growing stage which contributed 31.6% of the Group's revenue for 2018 and 9.0% of the total profit of all segments of the Group. Since the Group's investments in the sorting systems made in 2017, the logistics business has had big technological advancement and has participated in various fields that range from passenger baggage and airport cargo handling to high-speed parcels sorting and automatic warehouses storage and retrieval. The widened customer range has brought in new orders and larger growth opportunities and has promoted the Group's status and competitiveness in the market for comprehensive logistics automation and intelligence solutions. For the auto stereoscopic parking business, although it has only limited contributions to the Group since start-up, given the growing intensive city parking problems and with the Group's 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), we are confident that this business will soon deliver value and become a growth driver of the Group.

While the business of the airport facilities, logistics and auto stereoscopic parking are marching forward, the development of the Group's fire engines and fire equipment business has also been speeding up. During the year, we have entered into agreements to acquire two fire engines manufacturing companies, Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司) and Shanghai Jindun Special Vehicle Equipment Co., Ltd. (上海金盾特種車輛裝備有限公司). Shengyang Jietong has two manufacturing bases in Shenyang and is renowned for its aerial lifting trucks in China. Shanghai Jindun bases in Shanghai and has a strong presence in the eastern coastal area of China and in the Yangtze River Delta region. Following the completion of the acquisitions, which is expected to be in the first half of 2019, we will have completed the strategic regional layout in the western, northern and eastern part of China and enriched the Group's portfolio of fire engines. More importantly, this marked a significant step towards completing the Group's strategic national layout and the target of becoming the leader in the world market.

Through the Group's four strategic business segments in airport facilities, fire safety, automated logistics and auto stereoscopic parking, we commit to make life safer, travel smoother and logistics flow faster. We are also mindful to create value to our shareholders. I am glad that the Group delivered a per share earnings of RMB1.39 cents this year, a 2.2 times growth from the RMB0.44 cent as reported in the annual report last year, even taken into account the significant number of new shares issued during the year for acquisitions. The Group's achievements could not be attained without the support and trust of our shareholders, customers and business partners, the dedication of my fellow directors and the commitment and creativity of our management and staff. I would like to take this opportunity to express my immense gratitude to all of them.

Li Yin Hui
Chairman

25 March 2019

Business review

The Group's business scope has been expanded to a great extent since the completion of the acquisition of 99.41% equity interest of Pteris Global Limited ("Pteris") (the "Pteris Acquisition") in April 2018. In addition to the manufacture and sale of fire engines and fire equipment and related services, it has been engaged also 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 condensed consolidated financial statements, to correspond with the consolidated financial statements, the discussion and analysis on PBB, GSE, MHS and APS were that for the full year of 2018 and the fire engines and fire equipment were for the period since the Pteris Acquisition to end of the year 2018. The comparative figures represented 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 the that for last year. If revenue generated from the fire engines and fire equipment business of RMB548.0 million were excluded, revenue of the Group, as generated by the PBB, GSE, APS and MHS segments, would still grow by 34.6% to RMB2,238.4 million. With the increase in revenue, the Group reported profit of RMB172.6 million for the year, an increase of 44.2% from that for 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 PBB 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 speed up the revenue and profit recognition. Measures included:

(i) Reduce 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

(ii) Reduce the installation time by recruiting addition workers for installation implementations and outsource 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:

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

(ii) Extend the value chain by providing other equipment such as the 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 airports operation.

For the APS business, despite the fact 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), the 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 developed steadily since start-up. Revenue growth for the year mainly came from the sale of cargo loaders in the PRC since some of the manufacturing process have been moved from France to Beijing in the PRC. The expanded production capacity has enhanced the product's competitiveness. 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 input 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 mainly came from (i) certain projects in India, a newly developed market, completed during the year; and (ii) increase in number of projects completed in 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, concentrate to develop markets with good profit potential and to accelerate the standardization and modularization of all production components, and on the other, focus 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 involves the sorting and handling of millions of parcels, such as the airport baggage and cargos handling. The Group's automated warehousing system which allows the stacking, shelfing, 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.

Fire engines and fire prevention and fighting equipment
Revenue: RMB548.0 million; segment profit: RMB23.6 million

Because of the reverse acquisition accounting adopted, the fire engines and fire equipment business of CFE was deemed to be acquired and thus, revenue and profit reported were the amount for the year commenced after 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 fire engines and fire equipment for the whole year from 1 January to 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 for 2017, had the additional costs and expenses in relation to the fair value adjustments at acquisition completion been discarded. 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 opens 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 were 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 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 acquisitions. Internally, all fire engines manufactured since 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 the 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 "*Investments, capital commitments, contingent liabilities and pledge of assets – Investments*" below, the Group has entered into agreements to acquire 60% equity interests in Shenyang Jietong Fire Truck Co., Ltd.* ("Shenyang Jietong") (瀋陽捷通消防車有限公司) and the entire equity interests in Shanghai Jindun Special Vehicle Equipment Co. Ltd.* ("Shanghai Jindun") (上海金盾特種車輛裝備有限公司) during the year. Both Shenyang Jietong 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 synergy effects of the enlarged market, production capacity, product variety and technological know-how sharing.

Financial resources and liquidity

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 equivalent	**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 equivalent	**(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 mainly came from the prepayment of approximately RMB354.5 million made for the acquisition of Shenyang Jietong 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 "*Investments, capital commitments, contingent liabilities and pledge of assets – Investments*" below). The slower-than-expected turnover rate of trade receivables as customers delay payment, 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 the performance evaluation and thus bonus and pay rise of the 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 (31 December 2017: RMB1,994.2 million) and RMB2,695.0 million (31 December 2017: RMB1,555.5 million) respectively. The current ratio was approximately 1.2 times (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 the acquisition of 30% equity interests of Shenzhen CIMC-Tianda Airport Support Ltd. (深圳中集天達空港設備有限公司) ("SZ Tianda") (the "Tianda Acquisition"), 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 when considered appropriate.

Investments, capital commitments, contingent liabilities and pledge of assets

Investments

Apart from the Pteris Acquisition and Tianda Acquisition, the Group has the following investments 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 Company Limited ("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.* (深圳中集滙杰供應鏈有限公司) ("Huijie") from a subsidiary of CIMC, at nil consideration but to assume the vendor's obligation to contribute to the paid-up capital of Huijie of RMB10,000,000. Huijie is a newly established company and an indirect wholly owned subsidiary of CIMC. It is principally engaged in the trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services. Taking advantage of the solid relationship that CIMC has built up with suppliers, Huijie has established robust sourcing channels. The investment is expected to secure a consistent and reliable supply of ancillary materials and products and services from Huijie for the Group's production activities through foster a closer relationship with Huijie. The investment in Huijie was completed in January 2019.

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

4. 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) ("Tongchuang") from a subsidiary of CIMC, at nil consideration but to assume the vendor's obligation to contribute to the paid-up capital of Tongchuang of RMB10,000,000. Tongchuang 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, Tongchuang 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 Tongchuang for the Group's production activities through foster a closer relationship with Tongchuang. The investment in Tongchuang was completed in January 2019.

5. 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, 60% of which in cash and the remaining 40% by 551,564,448 new shares of the Company at an issue price of HK$0.3133 each. The consideration is payable in four instalments and subject to deductions in accordance with the terms of the agreement, including the profit guarantee given by the vendor in particular. Apart from the financial contributions, the investment is expected to provide strengthen the Group's portfolio of fire engines and enlarge its production capacity geographical market coverage, especially in the south-eastern costal area of the PRC and the Yangtze River Delta region.

The completion of the investments in (3) and (5) are subject to conditions precedent in their respective agreements which include, in particular, the approval of shareholders in the extraordinary general meeting of the Company to be convened.

Capital commitment

Apart from the consideration to be paid in respect of the investments detailed in the subsection "*Investments*" 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 of properties 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, the Group has no material capital commitment, contingent liabilities and pledged of assets as at 31 December 2018 and has no material investments, acquisitions or disposals during the year ended 31 December 2018.

* For identification only

Employees and remuneration policies

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 CFE and Pteris and additional staff hired due to increased sales orders, especially for PBB and MHS. 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 arranges in-house trainings periodically to staff at all levels according to their needs, like orientations on corporate culture, policies, products knowledge and basic job skills for new staff; leadership, management and strategic planning skills for managerial staff; and seminars and workshops on selected topics like project management, costs management, business planning and work safety. Employees may apply for subsidies to participate in job relevant trainings offered by recognized institutions.

Principal risks and uncertainties

The Group operates in a highly competitive environment. Quality products and services that tailored for the ever-changing market needs and the ability to develop new source of revenue are the cornerstones on which the Group to stand firm in the industries it participates and to maintain its sustainable growth. In this regard, the Group is facing risks and uncertainties in respect of:

Product and market development

The Group's long term profitability depends on its ability to successfully develop, launch and market its new products and services and opening of new markets.

Human capital

A decisive factor for the Group's success is its employees. Their knowledge, competence, integrity and other qualities are critical to the Group's business development and operations. As such, future development of the Group depends on its ability to maintain its position as an attractive employer.

Environmental policies and performance

The Group's environmental policies and performance are set out in the Environmental, Social and Governance Report 2018 of the Group dated 27 March 2019, which has been posted on the website of the Stock Exchange on the same date. Quick link to the report is as follows:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0327/LTN20190327454.pdf

Compliance with regulations

Apart from the non-compliance with Chapter 14A of the Listing Rules in respect of the daily closing cash balance of deposits placed with CIMC Finance Company Limited exceeded the annual cap of deposit services on 19 days, as set out in section 18 "Connected Transactions" of the Directors Report, there was no material breach or non-compliance with the laws and regulations applicable to the Group during the year. Rules and regulations that have significant impact on the operations of the Group are set out in the respective sections in the Environmental, Social and Governance Report 2018 of the Group as referred to in "Environment policies and performance" above.

Relationship with employees, customers and suppliers

The Group's policies in respect of staff recruitment, development and training, compensation and communication are set out in the relevant sections in the Environmental, Social and Governance Report 2018 of the Group as referred to in "Environment policies and performance" above.

The Group recognizes the importance of fulfilling needs of customers and providing them quality products and services to its business development. Close relationship are maintained with all customers and the Group strives to provide them the best pre-sale and post-sale services. The Group strives to maintain fair and cooperating relationship with all suppliers as they are an important element of the Group's supply chain management.

DIRECTORS

Non-executive directors

Dr. LI Yin Hui, aged 51, was appointed as a non-executive director and the Chairman of the Company on 29 July 2015. He is (i) a vice-president of CIMC; (ii) the chairman of C&C Trucks Co., Ltd.; (iii) the chairman of the supervisory board of Albert Ziegler GmbH ("Ziegler") and (iv) the chairman of Y&C Engine Co., Ltd.. Dr. Li has been working for CIMC for over 10 years and has extensive experience in managing large-scale enterprises. He has also been a non-executive director of Shougang Concord International Enterprises Company Limited, a company whose shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), since January 2018. Dr. Li obtained a Bachelor's degree in Arts (History) and a Doctorate degree in World Economy from the Jilin University in 1991 and 2001 respectively. In addition, he obtained a Master's degree in Business Administration from the Nanjing University in 1997. Dr. Li completed his Postdoctoral research in China Centre for International Economic Exchanges in 2016.

Mr. YU Yu Qun, aged 53, was appointed as a non-executive director of the Company on 26 May 2016. He is a vice-president and the secretary to the board of directors and company secretary of CIMC, responsible for shareholder relations, investor relations and financing management. He is also (i) a non-executive director of CIMC Enric Holdings Limited; and (ii) a non-executive director of Pteris, a subsidiary of the Company. The shares of Pteris were delisted from the Singapore Stock Exchange on 7 September 2016. Mr. Yu was a non-executive director of TSC Group Holdings Limited (currently known as CIMC Ocean En-Tech Holding Co., Ltd.) from March 2011 to July 2016. CIMC Enric Holdings Limited and CIMC Ocean En-Tech Holding Co., Ltd. are companies whose shares are listed on the Stock Exchange. Mr. Yu had worked in the State Bureau of Commodity Prices of the PRC before joining CIMC in 1992. He is a member of the Appellate Review Committee of the Shenzhen Stock Exchange and a member of the first session of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies. Mr. Yu obtained a bachelor's degree and a master's degree in Economics from the Peking University in 1987 and 1992 respectively.

Mr. Robert JOHNSON, aged 27, was appointed as a non-executive director of the Company on 26 May 2016. He is a Justice of the Peace (JP) in Australia and is the president of Australia-China Youth Cooperation, a non-governmental organization established in Australia aiming at promoting cooperation and fostering friendships and partnerships between young Australian and Chinese. Because of his commitments and contributions in the promotion of Australian-Chinese friendship and youth leadership, Mr. Johnson was granted one of the young leaders of Boao Forum for Asia and participated in 2014 Boao Forum for Asia's young leaders' roundtable. Mr. Johnson had served in the Australian Defense Force (Reserve) for three years. He won the Australian Defense Force Long Tan Youth Leadership and Teamwork Awards in 2009. Mr. Johnson is a son of Mr. Jiang Xiong.

Executive directors

Mr. JIANG Xiong, aged 52, was appointed as an executive director of the Company on 19 February 2002. He is also the Honorary Chairman of the Company. Mr. Jiang has over 25 years' experience in the fire services and maintenance industry in the PRC. Mr. Jiang is a qualified engineer in the PRC and obtained the qualification of senior economist from the Human Resources Office of Fujian Provincial Government（福建省人事廳）in January 2004. He was awarded one of the "Ten Most Outstanding Youths in Fuzhou" in May 1996. Mr. Jiang was appointed as vice-president of Fujian Overseas Exchanges Association（福建省海外交流協會）in June 2013; as the executive president of Council of World Fujian Youth Association（世界福建青年聯合會）in November 2013; as the overseas committee member of Fujian Province Committee of the Chinese People's Political Consultative Conference（福建省政協海外列席委員）in 2014 and as the startup consultant of China (Fujian) Pilot Free Trade Zone（福建自貿試驗區第一批企業創新顧問專家）in 2015. Mr. Jiang is Mr. Robert Johnson's father.

Mr. ZHENG Zu Hua, aged 55, was appointed as a non-executive director of the Company on 29 July 2015 and re–designated to executive director and Chief Executive Officer on 5 April 2016. Mr. Zheng is the Chairman of the risk management committee of the Company. Mr. Zheng is (i) a member of the execution board and the general manager of the management committee of the airport sector of CIMC; (ii) the vice-chairman of the supervisory board of Ziegler; (iii) the chairman of SZ TianDa, a subsidiary of the Company and one of the world's biggest manufacturers of passengers boarding bridge, and that of a number of other enterprises in CIMC's airport sector; and (iv) a non–executive Chairman of Pteris. Mr. Zheng has over 30 years' experience in the field of engineering and machinery manufacturing. He has been working for CIMC for over 30 years. He was instrumental in SZ TianDa's rise to one of the world's top airport support companies and influential in the establishment of the airport sector of CIMC. Mr. Zheng obtained a Bachelor's degree in Engineering from the Huazhong University of Science and Technology in 1983 and graduated from the Post-graduate in Mechanical Engineering of the Southwest Jiaotong University in 1987. In addition, he obtained a Master's degree in Business Administration from the Guanghua School of Management of the Peking University in 2002.

Mr. LUAN You Jun, aged 54, was appointed as an executive director of the Company on 29 July 2015. He is also a Vice-President of the Company. Mr. Luan is (i) the chairman and the chief executive officer of Ziegler; and (ii) the vice-chairman of SZ TianDa. Mr. Luan has been working for CIMC for over 24 years and has extensive experience in sales and marketing and managing machinery manufacturing businesses. Mr. Luan obtained a Bachelor's degree and a Master's degree in Mechanical Engineering from the Dalian University of Technology in 1986 and 1989 respectively. Besides, he was awarded an advance certificate in Business Administration from the Tsinghua University in 2006.

Independent non-executive directors

Dr. LOKE Yu alias Loke Hoi Lam, aged 69, was appointed as an independent non-executive director of the Company on 1 August 2006. He is the chairman of the audit committee and remuneration committee of the Company. Dr. Loke has over 40 years of working experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Independent Non-Executive Director Association.

In addition to his directorship in the Company, Dr. Loke also serves as an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Chiho Environmental Group Limited, Forebase International Holdings Limited, Hang Sang (Siu Po) International Holding Company Limited, Hong Kong Resources Holdings Company Limited, Lamtex Holdings Limited, Matrix Holdings Limited, TC Orient Lighting Holdings Limited, Tianhe Chemicals Group Limited, Tianjin Development Holdings Limited, TradeGo Fintech Limited, V1 Group Limited, Zhenro Properties Group Limited and Zhong An Real Estate Limited. Dr. Loke was an independent non-executive directors of the following companies whose shares are listed on the Stock Exchange: Mega Medical Technology Limited (currently known as Kaisa Health Group Holdings Limited) from June 2014 to January 2017, Winfair Investment Company Limited from April 2007 to April 2018, China Household Holdings Limited (currently known as Shenzhou Space Park Group Limited) from August 2013 to August 2018, SCUD Group Limited from May 2009 to September 2018 and China Beidahuang Industry Group Holdings Ltd. from June 2005 to October 2018. He had been the Company Secretary of Minth Group Limited from June 2007 to 7 February 2018. Dr. Loke is a brother-in-law of Mr. Heng Ja Wei's father.

Mr. HENG Ja Wei, aged 41, was appointed as an independent non-executive director of the Company on 4 March 2009. He is the Chairman of the nomination committee of the Company. Mr. Heng is the Managing Partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College, University of London. He is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Heng is also an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Best Food Holding Company Limited, Lee & Man Chemical Company Limited, Matrix Holdings Limited and SCUD Group Limited. He also serves as the company secretary and authorized representative of China Life Insurance Company Limited. Mr. Heng was an independent director of Daohe Global Group Limited, a company whose shares are listed on the Stock Exchange from August 2016 to January 2017. Mr. Heng is the son of a brother-in-law of Dr. Loke Yu.

Mr. HO Man, aged 49, was appointed as an independent non-executive director of the Company on 29 July 2015. Mr. Ho has over 20 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009.

Mr. Ho was the non-executive director of SCUD Group Limited from December 2006 to October 2009 and Shanghai Tonva Petrochemical Co., Ltd. (currently known as Shanghai Dasheng Agriculture Finance Technology Co., Ltd) from September 2008 to October 2009, both being companies whose shares are listed on the Stock Exchange. He was the independent director of Shenzhen Forms Syntron Information Co. Ltd, a company listed on the ChiNext of Shenzhen Stock Exchange, from February 2012 to February 2018.

In addition to his directorship in the Company, Mr. Ho has been an independent non-executive director of Fantasia Holdings Group Co., Limited, since October 2009; an independent non-executive director of Fu Shou Yuan International Group Limited, since December 2013; an independent non-executive director of Infinity Financial Group (Holdings) Limited (currently known as Momentum Financial Holdings Limited), since November 2016; an independent nonexecutive director of Midas International Holdings Limited (currently known as Magnus Concordia Group Ltd.), since January 2018; and an independent nonexecutive director of Wanjia Group Holdings Limited since February 2018, all being companies whose shares are listed on the Stock Exchange. Mr. Ho has also been a director of Shenzhen Daxiang Space Construction Co., Ltd., a company listed on the National Equities Exchange and Quotations, since September 2015.

Mr. Ho has been awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is a Chartered Financial Analyst.

SENIOR MANAGEMENT

Ms. CHEN Zhe, 44, is an assistant to the Chief Executive Officer of the Company, the Deputy General Manager of SZ TianDa, the President of CIMC-TianDa Jirong Aviation Air-conditioning Co., Ltd., a subsidiary of the Company which engaged in the design, production, sale, installation and maintenance of aircraft pre-conditioned air supply systems. Ms. Chen joined SZ TianDa in 1997 as a marketing supervisor and subsequently promoted to the marketing manager and then deputy general manager. Ms. Chen is a university graduate and a qualified economist in China.

Mr. LI Zhu Feng, 44, is an assistant to the Chief Executive Officer of the Company and the General Manager of the Company's management development department. Mr. Li is responsible for the Group's strategies and investment planning, human resources management and performance management. He joined SZ TianDa in 2007 and has been its director for strategic planning and development. Mr. Li graduated from Jinan University in 1995 and was awarded a bachelor's degree in Economics.

Mr. WANG De Feng, aged 50, is the president of Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd., a subsidiary of the Company which engaged in the production and sale of fire engines and fire prevention and fighting equipment. Mr. Wang joined the Group in 2005 and is responsible for overseeing the Group's production and sales of fire engines and fire fighting equipment. He served as an executive director of the Company during the period from September 2006 to July 2015. Mr. Wang is a graduate of the Second Mechanical Engineering Department of the Chongqing University.

Mr. YAO Le Ran, 47, is an assistant to the Chief Executive Officer of the Company, the General Manager of the GSE business unit of the Group and the Deputy General Manager of SZ TianDa. Mr. Yao is responsible for overseeing the Group's airport ground support equipment (GSE) business. He has rich experience in overseas sales and marketing and business management. Mr. Yao joined SZ TianDa in 2002 as a sales manager and subsequently promoted to sales director and then deputy general manager. Mr. Yao graduated from the Yunnan Normal University in 1993, major in English. He completed the EMBA Training Program at the Graduate School of Tsinghua University in 2005 and graduated from the Faculty of Business Administration of the Beijing Foreign Studies University in 2017.

Mr. ZHU Wen Yuan, 61, is the General Manager of Finance and Fund Management Department of the Company and is responsible for the Group's financial management. Mr. Zhu has over 35 years' experience in finance and accounting. He joined SZ TianDa in 1994 as a deputy finance manager and subsequently promoted to finance manager and then the Head of Finance. Before joining SZ TianDa, Mr. Zhu was the deputy finance director in a listed company in Shenzhen. Mr. Zhu is a graduate of Jinan University, major in Accountancy.

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the year ended 31 December 2018, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except for the following:

1. There were no fixed terms of appointment for the non-executive directors.

2. According to the Articles of Association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation.

The details of such deviation have been disclosed in the relevant paragraphs below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD OF DIRECTORS

The Board, as at the date of this report, is composed of three executive directors, three non-executive directors and three independent non-executive directors. Name of the directors are set out in the table below. Mr. Jiang Xiong (Honorary Chairman) and Mr. Robert Johnson are father and son. Mr. Heng Ja Wei is the son of a brother-in-law of Dr. Loke Yu.

There were nine Board meetings held during the year which, besides the approval of the Company's interim and annual reports, were mainly related to strategic and investment decisions. Day to day operational decisions were delegated to the management team of the Company. Other than in Board meetings, members of the Board are communicated regularly to discuss the performance of the Group which allow the Board members to have a more thorough understanding of the Group to exercise effective leadership and supervision of the Group.

The number of Board meetings attended by each of the directors of the Company is set out below:

Name of directors	No. of meetings attended
Non-executive directors	
Dr. Li Yin Hui (Chairman)	9/9
Mr. Yu Yu Qun	8/9
Mr. Robert Johnson	6/9
Executive directors	
Mr. Jiang Xiong (Honorary Chairman)	9/9
Mr. Zheng Zu Hua (Chief Executive Officer)	9/9
Mr. Luan You Jun	7/9
Independent non-executive directors	
Dr. Loke Yu	9/9
Mr. Heng Ja Wei	9/9
Mr. Ho Man	9/9

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that their contributions to the board are informed and relevant, the directors have done the following to develop and refresh their knowledge and skill:

Non-executive directors	
Dr. Li Yin Hui (Chairman)	Attend courses and trainings
Mr. Yu Yu Qun	Attend courses and trainings
Mr. Robert Johnson	Attend courses and trainings
Executive directors	
Mr. Jiang Xiong (Honorary Chairman)	Study relevant materials
Mr. Zheng Zu Hua (Chief Executive Officer)	Attend courses and trainings
Mr. Luan You Jun	Study relevant materials
Independent non-executive directors	
Dr. Loke Yu	Attend courses and trainings
Mr. Heng Ja Wei	Attend courses and trainings
Mr. Ho Man	Attend courses and trainings

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Li Yin Hui is the Chairman of the Board and Mr. Zheng Zu Hua is the Chief Executive Officer of the Company. The Chairman is responsible for leading the Board in formulating strategic plans for the Group while the Chief Executive Officer oversees the Group's daily operations and execution of Board's decisions.

According to the Articles of Association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation. This is not in strict compliance with the code provision of the Code on Corporate Governance Practices which requires every director (including those appointed for a specific term) to be subject to retirement by rotation at least once every three years.

NON-EXECUTIVE DIRECTORS

There were no fixed terms of appointment for the non-executive directors but they are subject to retirement by rotation according to the Company's Articles of Association. Under the Company's Articles of Association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the Articles of Association. The Board is of the opinion that this serves the same objectives of the relevant provision.

REMUNERATION COMMITTEE

The Remuneration Committee as at the date of this report comprises:

Name of members	
Dr. Loke Yu (Chairman)	Independent non-executive director
Mr. Heng Ja Wei	Independent non-executive director
Mr. Ho Man	Independent non-executive director
Mr. Zheng Zu Hua	Executive director

The primary duties of the committee are to formulate policy and structure of remuneration of directors and senior management of the Group and to provide advice and recommendations thereon to the Board. During the year, the remuneration committee held one meeting and all the members have attended the meetings to review remuneration packages of the executive directors and senior management.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of senior management of the Group for the year ended 31 December 2018 by bands is set out below:

	No. of senior management
Nil to RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	4

Details of the directors' remuneration are set out in note 42 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee comprises Mr. Heng Ja Wei (Chairman), Dr. Loke Yu and Mr. Ho Man, all are independent non-executive directors of the Company. The primary duties of the committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, and to make recommendation to the Board thereon. New director(s) is(are) expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. Under the Company's Articles of Association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the Articles of Association. During the year, the nomination committee held one meeting and all the members have attended the meetings.

The Company acknowledges that the diversification of the members of the Board facilitates the Company to achieve its strategic goals. In determining the composition of the Board, the Company considers the Board diversity from various perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, industry and professional experience, skills, knowledge and length of service. All appointments of the Board are made on merits with objective consideration of candidates, and the benefits derived from the diversification of members of the Board. The nomination committee reviews the diversity of the composition of the Board on regular basis, and monitors the implementation of this policy so as to ensure its effective implementation.

AUDIT COMMITTEE

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

During the year, the audit committee held four meetings to (i) review and comment on the Company's interim and annual financial reports; (ii) meet with the external auditors and participate in the assessment of the performance of the external auditors and (iii) meet the independent financial advisor and assess their works and review their opinion on the Group's connected transactions. All the members have attended the meetings.

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

RISK MANAGEMENT COMMITTEE

As at the date of this report, the Risk Management Committee comprises:

Name of members	
Mr. Zheng Zu Hua (Chairman)	Executive director
Mr. Jiang Xiong	Executive director
Mr. Luan You Jun	Executive director
Dr. Loke Yu	Independent non-executive director
Mr. Heng Ja Wei	Independent non-executive director
Mr. Ho Man	Independent non-executive director

Its primary duties are to consider the overall objective and polices of the Group's comprehensive risk management system, to review the Group's risk management system, to assess the Group's risk profile and risk management capabilities, to consider major investigations findings on risk management matters, and to make recommendation to the Board thereon.

CORPORATE GOVERNANCE FUNCTIONS

The full Board is responsible for the corporate governance functions, during the year, it has performed the following:

– develop and review the Company's policies and practices on corporate governance;

– review and monitor training and continuous professional development of directors and senior management;

– review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– develop, review and monitor the code of conduct to employees and directors; and

– review compliance with the Code of Corporate Governance and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. The Risk Management Committee and the Audit Committee assist the Board in fulfilling such responsibilities.

The Group has embedded its risk management systems into the core operating practices of its business units. Each business unit is required to review and assess the potential risks that may have impact on its ability to achieve its business objectives assigned on an ongoing basis. The review include an assessment of the relevancy and adequacy of the internal control system in addressing the potential risks. The Group has its own internal audit team to ensure that the Group's internal control policies are complied with. All subsidiaries of the Group are reviewed for deficiencies or other issues in internal control compliances in a three-year cycle. The review focus on those areas with high risk including sales, purchases, sub-contracting, financial reporting, assets management, human resources management, fund management and information system. Risks and defects in the operations of the Group identified were reported to the Risk Management Committee, the audit committee and the Board for discussions. Key management of the Group's major operating subsidiaries from different functions are assigned the tasks of designing and implementing plans to follow up the risks and defects identified.

In respect of the year ended 31 December 2018, the Board considered that the Group's risk management and internal control systems effective and adequate. In all circumstances, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

To ensure that inside information remains confidential until disclosure and that the disclosure of such information are approved and on a timely manner, the Group adopted a "Policy and Disclosure of Inside Information" which was made with reference to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission.

AUDITOR'S REMUNERATION

The auditor's remuneration for the year were as follows:

	RMB'000
For audit services	3,900
For non-audit services	1,400
	5,300

It is the responsibilities of the directors of the Company to prepare the financial statements of the Group. The auditor is responsible for expressing an independent opinion on the consolidated financial statements of the Group based on their audit and to report the opinion to the shareholders of the Company.

GENERAL MEETING

The Company's annual general meeting was held on 6 June 2018 in Hong Kong. All the directors of the Company has attended the meeting. Besides, the Company held three extraordinary general meetings (EGMs) respectively on 11 April 2018, 6 November 2018 and 5 December 2018. All directors attended all the EGMs apart from Mr. Robert Johnson who was absent from the EGM on 11 April 2018 as he was occupied by other business.

DIVIDEND POLICY

The Board considers sustainable returns to shareholders through stable dividend payment a major objective of the Company. Under the applicable laws of the Cayman Islands and the Articles of Association of the Company, all shareholders have equal rights to dividends and distributions. The Board may from time to time pay to shareholders interim dividends as appear to the Board to be justified by the profits and cash flow position of the Company. The declaration of final dividend and distribution out of share premium account or any other fund or account authorized by the applicable laws of the Cayman Island for distribution requires the approval of shareholders.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company is mindful to ensure that information relevant to the shareholders and investors is made publicly available on a timely basis. All necessary information are disclosed by way of publishing announcements, circulars and financial reports through the websites of the Company and the Stock Exchange. The Company welcomes suggestions from investors and stakeholders and is proactive in responding to general enquiries raised by them. The Company has followed a policy of maintaining on-going dialogues with the investors and stakeholders through general meetings, investor briefings and press releases.

SHAREHOLDERS' RIGHTS

Any one or more shareholders of the Company holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting general meetings of the Company shall have the right to require the Board to call EGM. The shareholder(s) requesting the convening of an EGM should deposit a written requisition to the Board or the Company Secretary, specifying the transaction of business to be dealt with in the EGM. The Board shall convene such meeting within twenty one days from the date the requisition deposited and the EGM shall be held within two months after the deposit of the requisition. The written requisition may be sent to the Board or the Company Secretary by post to the Company's head office or principal place of business in Hong Kong.

A qualified shareholder may nominate a person as candidate for election of director of the Company by sending a written notice giving his intention to propose. Such nomination notice must be lodged at the Company's head office or at its Hong Kong branch share registrar within 7 days from the day after the dispatch of the notice of the general meeting (or such other period, being a period of not less than 7 days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than 7 days prior to the date appointed for such meeting, as may be determined by the Directors from time to time). The nomination notice lodged must be accompanied by:

a. A notice signed by the candidate indicating his/her willingness to be elected in the general meeting.

b. A biographical details of the candidate as set out in Rule13.51(2) of the Listing Rules.

The directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

1. PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 20 and 18 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

2. RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on page 54 and 55.

The directors do not recommend the payment of a dividend for the year ended 31 December 2018.

3. SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year ended 31 December 2018 are set out in note 28 to the consolidated financial statements.

4. DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2018 were RMB4,068,475,000 (2017: RMB951,446,000).

Under the Company Law (Revised) Chapter 22 of Cayman Islands, the share premium and the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

5. EQUITY LINKED AGREEMENTS

(a) Convertible bonds

The Company issued convertible bonds with aggregate principal amount of RMB2,093,133,694 on 23 April 2018, to satisfy part of the consideration for the Pteris Acquisition and Tianda Acquisition. The convertible bonds will be matured on the 22 April 2048, being the 30th anniversary of the issue date. They bear interest from and including the issue date at 0.1% per annum, payable annually in arrear on each anniversary from the issue date. Subject to the terms and condition of the convertible bonds, each bondholders has the right to convert the bonds into ordinary shares of the Company of HKD0.01 each (the "Shares") credited as fully paid at any time from the issue date to maturity date, at an initial conversion price of HKD0.366 per Share, equivalent to RMB0.3111 per Share at the agreed fixed exchange rate of HKD1: RMB0.85 (the "Initial Conversion Price"). The maximum number of Shares to be issued upon conversion is 6,728,170,020 Shares. During the year ended 31 December 2018, 2,250,000,000 Shares were issued upon conversion of convertible bonds in the principal amount of RMB699,975,000 at the Initial Conversion Price by the bondholders.

Details of the convertible bonds issued and converted during the year ended 31 December 2018 are set out in note 31 to the consolidated financial statements.

5. **EQUITY LINKED AGREEMENTS** *(cont'd)*

(b) Share options granted to directors and selected employees

Particulars of the Company's share option scheme (the "Scheme") are set out in note 38 to the consolidated financial statements.

Details of the movement of share options granted under the Scheme are as follows:

Grantees	Number of shares issuable under the options — Outstanding at 1 January and 31 December 2018	Exercise price HKD	Percentage of issued share capital of the Company
Executive director			
Mr. Jiang Xiong	4,000,000	0.42	0.028%
Independent non-executive directors			
Dr. Loke Yu	4,000,000	0.42	0.028%
Mr. Heng Ja Wei	4,000,000	0.42	0.028%
Mr. Ho Man	2,000,000	0.42	0.014%
	14,000,000		0.098%
Other employees	101,625,000	0.42	0.702%
	115,625,000		0.800%

The share options outstanding at 1 January and 31 December 2018 were granted on 26 August 2015 and are valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive). No share options were granted during the year ended 31 December 2018.

All of the share options outstanding were vested and available for exercise on 11 July 2017. No share option has been exercised, lapsed or expired since being vested and up to 31 December 2018.

6. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on prorata basis to existing shareholders.

7. FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 202 of the annual report.

8. PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

9. DIRECTORS

The directors who held office during the year and up to date of this report were:

Non-executive directors

Dr. Li Yin Hui (*Chairman*)
Mr. Yu Yu Qun
Mr. Robert Johnson

Executive directors

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

Independent non-executive directors

Dr. Loke Yu
Mr. Heng Ja Wei
Mr. Ho Man

In accordance with the provisions of the Company's Articles of Association, Mr. Luan You Jun, Mr. Yu Yu Qun and Mr. Ho Man retire from office and, being eligible, offer themselves for re-election.

10. DIRECTORS' SERVICE CONTRACTS

No service contract has been entered into between the Company and the directors. The term of office of each of the directors is the period to his/her retirement by rotation in accordance with the Company's Articles of Association.

11. DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in note 42(e) to the consolidated financial statements, no transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected party (as defined in the Listing Rules) had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

12. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 15 of this annual report.

13. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 31 December 2018, none of the directors or chief executives has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of director	Capacity and types of interests	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	6.78%

Options to subscribe for ordinary shares in the Company

Details of share options granted to the directors and chief executives are set out in section 5(b) "Share options granted to directors and selected employees" to this report.

No options were granted to, or exercised by, the directors of the Company during the year.

14. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in section 5(b) "Share options granted to directors and selected employees" to this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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

As at 31 December 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in the ordinary shares and shares interested under equity derivatives of the Company

Shareholders	Capacity/type of interest	Number of Shares interested (other than under equity derivatives *(Note 10)*	Percentage of issued Shares *(Note 10)*	Number of Shares interested under equity derivatives *(Note 11)*	Total number of Shares/ underlying Shares under equity derivatives *(Note 11)*	Percentage of issued Shares *(Note 12)*
Sharp Vision Holdings Limited ("Sharp Vision")	Beneficial owner	6,164,472,279	42.6%	3,454,490,318	9,618,962,597	50.5%
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430	8.5%	–	1,223,571,430	6.4%
Cooperatie CIMC U.A.	Interest of a controlled corporation *(Note 1)*	1,223,571,430	8.5%	–	1,223,571,430	6.4%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of a controlled corporation *(Note 2 & 3)*	7,388,043,709	51.1%	3,454,490,318	10,842,534,027	56.9%
CIMC	Interest of a controlled corporation *(Note 4)*	7,388,043,709	51.1%	3,454,490,318	10,842,534,027	56.9%
Fengqiang Holdings Limited ("Fengqiang")	Beneficial owner	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Fengqiang Hong Kong Co., Limited ("Fengqiang HK")	Interest of a controlled corporation *(Note 5)*	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司) ("TGM")	Interest of a controlled corporation *(Note 5)*	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%

15. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Long positions in the ordinary shares and shares interested under equity derivatives of the Company *(cont'd)*

Shareholders	Capacity/type of interest	Number of Shares interested (other than under equity derivatives *(Note 10)*	Percentage of issued Shares *(Note 10)*	Number of Shares interested under equity derivatives *(Note 11)*	Total number of Shares/ underlying Shares under equity derivatives *(Note 11)*	Percentage of issued Shares *(Note 12)*
Genius Earn Limited	Beneficial owner	115,375,000	0.8%	–	115,375,000	0.6%
Lucky Rich Holdings Limited ("Lucky Rich")	Beneficial owner	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Shanghai Yunrong Investment Centre* ("Shanghai Yunrong") (上海蘊融投資中心(有限合伙))	Interest of a controlled corporation (Note 6)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Shenzhen Jiuming Investment Consulting Co., Ltd.* (深圳市久名投資諮詢有限公司)	Interest of a controlled corporation *(Note 6)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Liu Xiaolin	Interest of a controlled corporation *(Note 7)*	1,380,054,470	9.5%	697,884,300	2,091,563,770	10.9%
Yang Yuan	Interest of Spouse *(Note 8)*	1,380,054,470	9.5%	697,884,300	2,091,563,770	10.9%
Dazi Dingcheng Capital Investment Co., Ltd.* (達孜縣鼎誠資本投資有限公司)	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	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 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Jingwei Textile Machinery Co., Ltd	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%

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

15. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Long positions in the ordinary shares and shares interested under equity derivatives of the Company *(cont'd)*

Notes:

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

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

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

4. CIMC is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 7,388,043,709 Shares and 3,454,490,318 Shares interested under equity derivatives in which CIMC HK has declared interest for the purpose of the SFO.

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

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

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

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

15. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Long positions in the ordinary shares and shares interested under equity derivatives of the Company *(cont'd)*

Notes: *(cont'd)*

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

10. The number of Shares and percentage stated represents the number of Shares held and as percentage of the issued share capital of the Company at 31 December 2018.

11. Number of Shares represents the number of Shares in issue, assuming all the convertible bonds held have been fully converted.

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

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 December 2018.

16. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

17. MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate purchases and revenue attributable to the Group's five largest suppliers and customers were both less than 30% of the Group's purchases and revenue respectively.

18. CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Company entered into/completed the following transactions with connected parties, as defined in the Listing Rules. The counterparties in the agreements in (a) to (g) below are all subsidiaries of CIMC, the controlling shareholder of the Company.

Connected transactions

(a) On 4 December 2017, the Company and Wang Sing Technology Limited, a direct wholly owned subsidiary of the Company, entered into a sales and purchase agreement with Sharp Vision for the Pteris Acquisition. The Pteris acquisition was completed on 23 April 2018.

(b) On 20 July 2018, SZ TianDa, an indirect non-wholly owned subsidiary of the Company, entered into an agreement with CIMC, Shenzhen Southern CIMC Containers Manufacture Co., Ltd.* (深圳南方中集集裝箱製造有限公司), 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), pursuant to which SZ TianDa to subscribe for registered capital of RMB97,000,000 of CIMC Finance by SZ TianDa at the consideration of RMB149,995,328.18 ("CIMC Finance Capital Increase"). The CIMC Finance Capital Increase was completed in December 2018.

(c) On 20 July 2018, Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd. ("Allied Best (China)"), an indirect wholly owned subsidiary of the Company, entered into an equity transfer agreement with CIMC TianDa Holdings (Shenzhen) Co., Ltd.* (中集天達控股(深圳)有限公司) ("CIMC-Tianda Shenzhen") to acquire 10% of the equity interests in Huijie at nil consideration but to assume CIMC-Tianda Shenzhen's obligation to contribute to the paid-up capital of Huijie of RMB10,000,000 ("Huijie Equity Transfer"). The Huijie Equity Transfer was completed in January 2019.

(d) On 28 August 2018, Allied Best (China) entered into an equity transfer agreement with CIMC-Tianda Shenzhen to acquire 5% of the equity interests in Tongchuang at nil consideration but to assume CIMC-Tianda Shenzhen's obligation to contribute to the paid-up capital of Tongchuang of RMB10,000,000 ("Tongchuang Equity Transfer"). The Tongchuang Equity Transfer was completed in January 2019.

Details of the Pteris Acquisition are set out in the announcements of the Company dated 4 December 2017, 11 April 2018, 23 April 2018 and the circular of the Company dated 15 March 2018.

Details of the CIMC Finance Capital Increase, Huijie Equity Transfer and Tongchuang Equity Transfer are set out in the announcements of the Company dated 20 July 2018, 28 August 2018, 6 November 2018 and the circular of the Company dated 16 October 2018.

18. CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions

(e) On 29 June 2018, the Company entered into a financial services framework agreement with CIMC Finance, pursuant to which CIMC Finance may offer deposit services, loan services and other financial services to the Company and its subsidiaries up to 31 December 2020.

For the year ended 31 December 2018, pursuant to the financial services framework agreement, the Group had deposited cash into the saving accounts maintained with CIMC Finance. During the year, the daily closing cash balance of deposits exceeded the annual cap of RMB80,000,000 for the deposit services on 19 days. The actual daily closing cash balance of deposits for the 19 exceeded days ranged from RMB80,165,978 to RMB123,213,229.

For the year ended 31 December 2018, pursuant to the financial services framework agreement, the aggregate amount of other financial services expenses was approximately RMB15,000.

Details of the financial services framework agreement are set out in the announcement of the Company dated 29 June 2018.

Details of the closing cash balance of deposits exceeded the annual cap for the deposit services are set out in the announcement of the Company dated 13 March 2019.

(f) On 20 September 2018, the Company entered into four master agreements with CIMC, namely, the Master Sourcing Agreement, the Master Transportation Agreement, the Master Installation Agreement and the Master Sales and Purchase Agreement. Pursuant to the agreements, the Group may enter into transactions with CIMC and/or its subsidiaries up to 31 December 2020.

For the year ended 31 December 2018, pursuant to the Master Sourcing Agreement and the Master Sales and Purchase Agreement, the Group had the following transactions:

Agreement	**Transactions**	**Aggregate amount** (RMB)
Master Sourcing Agreement	Purchase of materials from connected parties	511,000
Master Sales and Purchase Agreement	Sale of goods to connected parties	23,929,000

Details of the Master Sourcing Agreement, the Master Transportation Agreement, the Master Installation Agreement and the Master Sales and Purchase Agreement are set out in the announcements of the Company dated 20 September 2018 and 5 December 2018 and the circular of the Company dated 15 November 2018.

18. CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions *(cont'd)*

(g) On 20 September 2018, the Company entered into management services agreements with each of CIMC-Tianda Shenzhen and Albert Ziegler Beijing Ltd. ("Ziegler Beijing"), namely the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement, respectively. Pursuant to the agreements, the Group may provide management services, including but not limited to strategic management, financial management, marketing management and technical management to CIMC-Tianda Shenzhen and Ziegler Beijing for management fee for up to 31 December 2020.

For the year ended 31 December 2018, pursuant to the AZ Management Service Agreement, the aggregate amount of management fee income was RMB420,000.

Details of the management services agreements are set out in the announcements of the Company dated 20 September 2018 and 5 December 2018 and the circular of the Company dated 15 November 2018.

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the company. The independent non-executive directors confirmed that the aforesaid connected transaction were entered into (i) in the ordinary and usual course of business of the group; (ii) on normal commercial terms or better; (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

The Company's auditor was engaged to report on the group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 38 of the Annual Report in accordance with paragraph 14A. 56 of the Listing Rules. The letter is qualified for the daily closing cash balance of deposits exceeded the annual cap of RMB80,000,000 for the deposit services pursuant to the financial services framework agreement on 19 days, as detailed in (e) above. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, the related party transactions set out in note 40 to the consolidated financial statements do not constitute disclosable connected transactions under Chapter 14A of the Listing Rules.

19. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, it is confirmed that the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2018.

20. COMPETING INTERESTS

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

21. EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 38 to the consolidated financial statements.

22. BUSINESS REVIEW

Business review of the Company is set out in "Management Discussion and Analyasis" on page 5 of this annual report.

23. PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the Group.

24. EVENT AFTER THE REPORTING PERIOD

Details of events occuring after the reporting period are set out in note 39 to the consolidated financial statements.

25. AUDITOR

RSM Hong Kong retired as the auditor of the Company at the conclusion of the annual general meeting of the Company (the "AGM") on 6 June 2018 and did not offer themselves for reappointment. Pursuant to an ordinary resolution approved by the Shareholders at the AGM held on 6 June 2018, PricewaterhouseCoopers was appointed as the auditor of the Company.

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers who retire and, being eligible offer themselves for re-appointment.

On behalf of the Board

Li Yin Hui
Chairman

25 March 2019

羅兵咸永道

TO THE SHAREHOLDERS OF
CIMC-TIANDA HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CIMC-TianDa Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 201, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Revenue recognition for the logistics system business using over time method
- Reverse acquisition of Pteris Global Limited in respect of:
  - (a) The reverse acquisition accounting treatment
  - (b) Valuation of the convertible bonds
- Impairment assessment of trade receivables

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment Refer to Note 4 "Critical accounting estimates and assumptions" and Note 17 "Intangible assets" to the consolidated financial statements As at 31 December 2018, there was goodwill with carrying amount of RMB175 million arising from acquisitions during the current year and previous years. Management performs goodwill impairment assessment annually or when there is indicator for impairment. Goodwill was allocated to different groups of cash-generating units ("CGUs") for the purpose of impairment assessment. The recoverable amount of CGUs were determined based on value-in-use calculation using cash flow projections. Significant management's judgements and estimates were used in determining the key assumptions, including revenue growth rates, gross margins, terminal growth rates and discount rates, used in the value-in-use calculations.	Our procedures in relation to management's impairment assessment of goodwill included: – We evaluated the appropriateness of the value-in-use methodologies and key assumptions adopted by management with involvement of our internal valuation expert; – We discussed with management and evaluated the underlying key data input and assumptions of revenue growth rates, gross margins, terminal growth rates used in the cash flow projections by below procedures to consider the reasonableness of the cash flow projections: 1) comparing historical actual results to those budgets and forecasts to assess the management's historical estimation accuracy; 2) assessing the aforesaid key assumptions taking into account market developments by comparing with the industry or market data; 3) testing key data input to supporting evidence, such as approved budgets and orders in hand and considering the reasonableness of these budgets;

Key Audit Matters *(cont'd)*

Key Audit Matter

Goodwill impairment assessment *(cont'd)*

Management concluded that, based on their assessment, no provision for impairment loss was considered necessary for goodwill as at 31 December 2018.

We considered this a key audit matter because significant management's judgements and estimates were involved in the goodwill impairment assessment.

How our audit addressed the Key Audit Matter

– We compared the discount rates to the cost of capital of the Company and comparable entities;

– We tested the mathematical accuracy of the underlying value-in-use calculation;

– We evaluated management's sensitivity analysis of the goodwill impairment assessment on reasonably possible changes to these assumptions that will result in material changes to the goodwill impairment assessment.

Based on available evidence and our work performed, we found the key assumptions and estimates applied by management in relation to the goodwill impairment assessment were supported by available evidence.

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the logistics system business using over time method Refer to Note 2.1.1 "Change in accounting policies and disclosures", Note 4 "Critical accounting estimates and assumptions" and Note 5 "Revenue and Segment information" to the consolidated financial statements. The Group is engaged in, among others, provision of logistics system for baggage, material and warehousing handling systems("MHS"). For the year ended 31 December 2018, revenue for MHS of RMB601 million was recognised on the over time basis. For the revenue from MHS recognised over time, the Group recognised revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress was measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the balance sheet date as a percentage of total estimated costs for each project. Given the involvement of significant judgements and estimations in determining the progress of performance for revenue recognition for the MHS using over time method, we identified this as a key audit matter.	We have performed the following audit procedures to assess revenue recognition for MHS using over time method: – We understood, evaluated and tested the key controls over the generation of cost data of the project unit; – We checked progress toward satisfaction of performance obligation of projects, on a sample basis, by performing the following procedures: 1) discussed with management and assessed the reasonableness of the cost budgets for the projects under development by: i) comparing the actual costs of completed projects to management's prior estimations of total costs; ii) comparing the cost budget of projects under development to the actual cost of completed projects, taking into account the type of projects; and (iii) comparing the cost budget of projects to the budget approved by management; 2) discussed with management and the respective project managers about the progress of the projects and checked the construction costs incurred by tracing to the supporting documents and the progress reports from external or internal project supervising managers; 3) tested the mathematical accuracy of management's calculation on the progress of performance for selected projects. Based on available evidence and our work performed, we considered the management's judgements and estimations used in determining the progress of performance for revenue recognition were supported by available evidence.

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>Reverse acquisition of Pteris Global Limited ("Pteris")</u> Refer to Note 2.1 "Basis of preparation", Note 4 "Critical accounting estimates and assumptions", Note 31 "Convertible bonds" and Note 36 "Business combination" to the consolidated financial statements. The Company completed an acquisition of 99.41% equity interests of Pteris ("the Pteris Acquisition") by issuing new shares and convertible bonds ("CB") on 23 April 2018 ("date of acquisition"). The acquisition of Pteris has been accounted for as a reverse acquisition in accordance with HKFRS 3 "Business Combination". Pteris, being the legal subsidiary, was deemed to be the accounting acquirer while the Company, being the legal acquirer, was deemed to be the accounting acquiree for accounting purpose. The Company issued 6,455 million new shares and convertible bonds in the principal amount of RMB1,798 million to effect the Pteris Acquisition. (a) The reverse acquisition accounting treatment Management assessed and concluded that the Pteris Acquisition is a reverse acquisition by considering the terms of the sale and purchase agreement, relative voting rights, composition of the governing body and senior management of the enlarged group after the acquisition as well as the relative size of the accounting acquirer and acquiree, etc..	Our audit procedures in relation to the reverse acquisition of Pteris: (a) The reverse acquisition accounting treatment – We read the sale and purchase agreements of the Pteris Acquisition; – We interviewed with management to understand the commercial rationales of the Pteris Acquisition; – We evaluated the management's assessment of proper accounting treatment of the Pteris Acquisition using the reverse acquisition, against the requirements of the relevant accounting standards and by discussion with management and corroborating management's explanations with relevant documentary evidence provided by management; – We assessed the competency, capabilities and objectivity of the independent external valuer; – We involved our internal valuation expert to assess the methodology adopted for the determination of fair values of identifiable assets or liabilities assumed in the accounting acquiree;

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Reverse acquisition of Pteris Global Limited ("Pteris") *(cont'd)* (a) The reverse acquisition accounting treatment *(cont'd)* The accounting for reverse acquisition required a purchase price allocation for the acquisition of the accounting acquiree which involved the determination of the fair values of the identifiable assets and liabilities assumed in the accounting acquiree and goodwill resulted. Fair value of identifiable net assets of RMB1,191 million and goodwill of RMB51 million were recognised respectively. Management adopted different approaches for the determination of the fair values of different types of identifiable assets and liabilities assumed with the assistance of the independent external valuer. Significant management's judgements and assumptions were involved in determining the fair value of identifiable assets and liabilities assumed, including discount rates, revenue growth rates, gross margins, terminal growth rates, royalty rate and customer churn rates. We considered this a key audit matter because of the complexity of the accounting treatment and the significant management's judgements and estimates involved in the purchase price allocation.	(a) The reverse acquisition accounting treatment *(cont'd)* – We discussed with management and external valuer and assessed the reasonableness of the key assumptions such as revenue growth rates, terminal growth rate, gross margins, royalty rate and customer churn rates by comparing these assumptions against historical data of the accounting acquiree, approved budget, orders in hand and relevant market data and industry information; – We evaluated the discount rate by reference to external data including the risk factors of comparable companies and market risk premium. Based on available evidence and our work performed, we found the accounting treatment of the reverse acquisition and management's judgements and estimates used in the purchase price allocation for the acquisition of the accounting acquiree were supported by available evidence.

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Reverse acquisition of Pteris Global Limited ("Pteris") *(cont'd)* (b) Valuation of the convertible bonds ("CB") As described in Note 31 "Convertible bonds" to the consolidated financial statements, the fair value of convertible bonds amounting to RMB1,870 million was recorded in the consolidated statement of financial position as at date of acquisition. The fair value of the convertible bonds was determined by management with the assistance from an independent external valuer, which was determined based on the discounted cash flow method and the binomial option pricing model. Such process involved significant judgements and estimates to determine the key assumptions, including spot price, discount rate, expected volatility, risk-free rate and expected dividend yield. We considered this a key audit matter due to the complexity of the valuation models and significant management's judgements and estimates used in the valuation.	(b) Valuation of the CB Our audit procedures in relation to the valuation of the convertible bonds included: – We assessed the competency, objectivity and capabilities of the independent external valuer; – We read the terms of convertible bond instrument and identified the key terms which might affect the valuation of CB; – With the assistance of our internal valuation expert, we discussed with the management's external valuer and assessed the appropriateness of the valuation models adopted by management. – With respect to the equity component, we challenged the assumptions including expected volatility, expected dividend yield and risk-free rate used by comparing to historical volatility of the Company's shares, historical dividend payout records of the Company and the relevant market data; – With respect to the liability component, we challenged the discount rate used by comparing to observed bond yields of corporate bonds with similar features; – We assessed the sensitivity of the valuation result to possible range of such assumptions and judgements to corroborate our assessment of the reasonableness of such assumptions and judgements. Based on available evidence and our work performed, we found valuation models used were appropriate and the key assumptions applied by management in relation to the valuation of CB were supported by available evidence.

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>**Impairment assessment of trade receivables**</u> Refer to Note 2.1.1 "Change in accounting policies and disclosures", Note 4 "Critical accounting estimates and assumptions" and Note 23 "Trade and other receivables" to the consolidated financial statements. The Group's trade receivables were amounted to RMB1,262 million before the allowance for bad and doubtful debts of RMB82 million as at 31 December 2018. An allowance for bad and doubtful debts of RMB24 million was charged to profit or loss during the year then ended. Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses ("ECL") to be incurred, which is estimated by taking into account the historical credit loss experience with an adjustment to reflect both the current conditions and forward-looking information, which involve significant management's judgements. We identified this as a key audit matter because the impairment assessment of trade receivables required significant management's judgements and estimates.	In responding to the impairment assessment of trade receivables, we performed the following procedures: – We understood, evaluated and the tested the key controls over credit risk assessment, debt collection and estimation of expected credit losses; – Evaluated the appropriateness of historical period selection, and evaluated the reliability of the key data input on a sample basis to calculate historical default rate, including historical credit loss experience of customers, the past collection and other relevant data; – Assessed and evaluated the reasonableness of the factors used in making forward-looking estimation, including changes of future economics, unemployment rate forecast, market environment and customer portfolios; and – Checked the mathematical accuracy of the ECL calculation. Based on the procedures performed and evidence obtained, we found management's judgement and estimates used in relation to the impairment assessment of trade receivables were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in corporate information, management discussion and analysis, chairman's statement, director's report and corporate governance report, which we obtained prior to the date of this auditor's report, and biographical details of directors and senior management, and five-year financial summary, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the biographical details of directors and senior management and five-year financial summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(cont'd)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000 Restated
Revenue	5	**2,786,421**	1,662,685
Cost of sales and service	10	**(2,240,886)**	(1,273,336)
Gross profit		**545,535**	389,349
Selling and distribution expenses	10	**(74,845)**	(52,559)
General and administrative expenses	10	**(326,750)**	(243,061)
Net impairment losses on financial and contract assets	3.2(b)	**(25,326)**	(5,428)
Other income	6	**82,864**	60,781
Other gains/(losses) – net	7	**22,456**	(3,638)
Operating profit		**223,934**	145,444
Finance costs	8	**(23,641)**	(7,267)
Share of loss of associates	18	**(3,816)**	–
Profit before income tax		**196,477**	138,177
Income tax expense	9	**(23,859)**	(18,496)
Profit for the year		**172,618**	119,681
Profit for the year attributable to:			
Owners of the Company		**165,403**	86,118
Non-controlling interests		**7,215**	33,563
		172,618	119,681
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company:			
Basic	13	**1.39**	1.33
Diluted	13	**1.01**	0.70

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
	Note	**2018**	2017
		RMB'000	RMB'000
			Restated
Profit for the year		**172,618**	119,681
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**25,394**	12,880
Share of other comprehensive income of associates	18	**(1)**	–
Items that may not be reclassified to profit or loss			
Fair value uplift at the date of transfer of investment properties from property, plant and equipment and prepaid land lease payments		–	594
Other comprehensive income for the year, net of tax		**25,393**	13,474
Total comprehensive income for the year		**198,011**	133,155
Total comprehensive income for the year attributable to:			
Owners of the Company		**190,850**	99,610
Non-controlling interests		**7,161**	33,545
		198,011	133,155

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000 Restated
ASSETS			
Non-current assets			
Prepaid land lease payments	14	**113,274**	70,727
Property, plant and equipment	15	**746,308**	551,190
Investment properties	16	**251,069**	246,020
Intangible assets	17	**308,519**	229,315
Investments in associates	18	**734,358**	–
Deferred income tax assets	27	**44,055**	21,491
Other non-current assets	19	**358,316**	4,019
Total non-current assets		**2,555,899**	1,122,762
Current assets			
Inventories	22	**791,530**	510,504
Trade receivables	23	**1,180,305**	932,056
Prepayments and other receivables	23	**432,435**	134,171
Financial assets at fair value through other comprehensive income	23	**22,065**	–
Amounts due from contract customers	24	**–**	163,511
Contract assets	25	**410,204**	–
Other financial assets		**–**	2,202
Amounts due from related parties	40	**29,337**	30,861
Pledged bank deposits	26	**10,628**	518
Cash and cash equivalents	26	**468,607**	220,340
Total current assets		**3,345,111**	1,994,163
Total assets		**5,901,010**	3,116,925
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**123,522**	51,753
Reserves	29	**2,853,857**	1,172,611
		2,977,379	1,224,364
Non-controlling interests		**44,950**	241,405
Total equity		**3,022,329**	1,465,769

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 Restated
LIABILITIES			
Non-current liabilities			
Trade and other payables	30	**14,452**	15,455
Convertible bonds	31	**84,327**	–
Deferred income tax liabilities	27	**18,251**	3,306
Deferred income	34	**66,619**	76,894
Total non-current liabilities		**183,649**	95,655
Current liabilities			
Trade and other payables	30	**1,303,155**	1,307,304
Amounts due to related parties	40	**75,212**	3,809
Amounts due to contract customers	24	**–**	36,222
Contract liabilities	25	**635,430**	–
Borrowings	32	**544,885**	112,731
Provisions	33	**83,922**	79,780
Current income tax liabilities		**52,428**	15,655
Total current liabilities		**2,695,032**	1,555,501
Total liabilities		**2,878,681**	1,651,156
Total equity and liabilities		**5,901,010**	3,116,925

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

The financial statements on pages 54 to 201 were approved by the Board of Directors on 25 March 2019.

Li Yin Hui
Director

Zheng Zu Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to owners of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Convertible bonds – equity conversion reserves RMB'000	Other reserves RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017 (Restated)	28(b), 29(b)	51,753	1,914,868	22,690	9,378	1,767,791	(3,126,456)	19,883	459,973	1,119,880	187,198	1,307,078
Comprehensive income												
– Profit for the year		–	–	–	–	–	–	–	86,118	86,118	33,563	119,681
Other comprehensive income												
– Currency translation differences		–	–	–	–	–	–	12,898	–	12,898	(18)	12,880
– Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and prepaid land lease payments		–	–	594	–	–	–	–	–	594	–	594
Total comprehensive income for the year		–	–	594	–	–	–	12,898	86,118	99,610	33,545	133,155
Transaction with owners												
– Transaction with non-controlling interest	36(b)	–	–	–	–	–	4,874	–	–	4,874	7,126	12,000
– Capital injection from non-controlling interest of a subsidiary		–	–	–	–	–	–	–	–	–	15,000	15,000
– Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(1,464)	(1,464)
Total transactions with owners, recognised directly in equity		–	–	–	–	–	4,874	–	–	4,874	20,662	25,536
Balance at 31 December 2017		51,753	1,914,868	23,284	9,378	1,767,791	(3,121,582)	32,781	546,091	1,224,364	241,405	1,465,769

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Attributable to owners of the Company										
		Share capital RMB'000	Share premium RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Convertible bonds – equity conversion reserves RMB'000	Other reserves RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2018		51,753	1,914,868	23,284	9,378	1,767,791	(3,121,582)	32,781	546,091	1,224,364	241,405	1,465,769
Comprehensive income												
– Profit for the year		–	–	–	–	–	–	–	165,403	165,403	7,215	172,618
Other comprehensive income												
– Currency translation differences		–	–	–	–	–	–	25,448	–	25,448	(54)	25,394
– Share of other comprehensive income of associates		–	–	–	–	–	(1)	–	–	(1)	–	(1)
Total comprehensive income for the year		–	–	–	–	–	(1)	25,448	165,403	190,850	7,161	198,011
Transaction with owners												
– Issuance of ordinary shares pursuant to reverse acquisition	28(c)	39,977	1,037,907	–	–	–	164,636	–	–	1,242,520	–	1,242,520
– Issuance of convertible bonds pursuant to reverse acquisition – liability portion	29(c)	–	–	–	–	–	–	–	(102,519)	(102,519)	–	(102,519)
– Non-controlling interests recognised pursuant to reverse acquisition	29(a)	–	–	–	–	–	(7,441)	–	–	(7,441)	7,441	–
– Transaction with non-controlling interests	20(b)	8,135	300,983	–	–	289,893	(406,624)	–	–	192,387	(209,198)	(16,811)
– Issuance of ordinary shares	28(d)	5,448	191,770	–	–	–	–	–	–	197,218	–	197,218
– Issuance of shares upon conversion of convertible bonds	28(e)	18,209	709,911	–	–	(688,120)	–	–	–	40,000	–	40,000
– Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(1,859)	(1,859)
Total transactions with owners, recognised directly in equity		71,769	2,240,571	–	–	(398,227)	(249,429)	–	(102,519)	1,562,165	(203,616)	1,358,549
Balance at 31 December 2018		123,522	4,155,439	23,284	9,378	1,369,564	(3,371,012)	58,229	608,975	2,977,379	44,950	3,022,329

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000 Restated
		Year ended 31 December	
Cash flow from operating activities			
Cash generated from operating activities	35	**145,233**	84,316
Income tax paid		**(28,873)**	(26,184)
Net cash generated from operating activities		**116,360**	58,132
Cash flow from investing activities			
Additions to property, plant and equipment and intangible assets		**(57,047)**	(106,356)
Government grants relating to acquisition of assets received		**–**	24,622
Proceeds from sale of property, plant and equipment		**751**	1,366
Proceeds from sale of other financial assets		**662**	–
Interest received		**2,103**	2,003
Dividend received		**31**	49
Acquisition of a subsidiary, net of cash acquired	36	**78,050**	(4,486)
Prepayment for acquisition subsidiaries	19	**(354,540)**	–
Payment for acquisition of associates		**(150,106)**	–
Net cash flows used in investing activities		**(480,096)**	(82,802)
Cash flow from financing activities			
Proceeds from issue of new shares		**197,218**	–
Proceeds of borrowings from related companies		**494,999**	85,241
Repayment of borrowings to related companies		**(255,000)**	(160,957)
Proceeds of borrowings from banks		**353,945**	69,380
Repayments of borrowings to banks		**(161,790)**	(23,618)
Interest paid		**(23,641)**	(7,561)
Cash injection from non-controlling interest of a subsidiary		**–**	15,190
Decrease in pledged bank deposits		**(1,943)**	10
Net cash flows generated from/(used in) financing activities		**603,788**	(22,315)
Net increase/(decrease) in cash and cash equivalents		**240,052**	(46,985)
Cash and cash equivalents at beginning of the year		**220,340**	263,567
Exchange gains on cash and cash equivalents		**8,215**	3,758
Cash and cash equivalents at end of the year	26	**468,607**	220,340

The notes on pages 61 to 201 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

CIMC-TianDa Holdings Company Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "PRC") is No.9 Fuyuan 2nd Road, Fuyong, Boan District, Shenzhen, PRC. The Company's ultimate holding company is China International Marine Containers (Group) Co., Ltd. ("CIMC").

The Company and its subsidiaries (the "Group") is engaged in the business of (i) manufacture and sale of airport equipment which comprises mainly passenger boarding bridges and ground support equipment such as airport apron buses, aircraft catering vehicles and other specialized vehicles; (ii) the provision of engineering and computer software solutions for baggage, cargos and materials handling and warehousing systems; (iii) manufacture and sale of automated parking systems; and (iv) manufacture and sale of fire engines and fire equipment.

The consolidated financial statements are presented in RMB, unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

On 23 April 2018, the Company completed the Pteris acquisition. The Company issued 6,455,429,000 shares of the Company at an issue price of HKD0.366 each and convertible bonds in the principal amount of approximately RMB1,798,247,000 to the vendors of Pteris Acquisition pursuant to the sale and purchase agreement to effect the acquisition. The acquisition of Pteris has been accounted for as a reverse acquisition in accordance with HKFRS 3 "*Business Combinations*" by considering the terms of the sale and purchase agreement, relative voting rights, composition of the governing body and senior management of the enlarged group after the acquisition as well as the relative size of Pteris Group and CFE Group, etc.. Pteris, being the legal subsidiary, was deemed to be the accounting acquirer while the Company, being the legal acquirer, was deemed to be the accounting acquiree for accounting purpose. In this consolidated financial statements, CFE refers to the Company immediately before the completion of the Pteris Acquisition and CFE Group refers to the Company and its subsidiaries immediately before the completion of the Pteris Acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

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

(a) The assets and liabilities of the Pteris Group were recognized and measured in the consolidated statement of financial position at the carrying amounts before the completion of the Pteris Acquisition;

(b) The identifiable assets and liabilities of CFE Group were recognized and measured in the consolidated statement of financial position at the fair values at the completion date of the Pteris Acquisition;

(c) The excess of the fair value of the consideration transferred by Pteris, the accounting acquirer, over the fair value of the identifiable assets and liabilities of CFE Group at the completion date of the Pteris Acquisition was recognized as goodwill in the consolidated statement of financial position;

(d) The retained earnings and other equity balances recognised in the consolidated statement of financial position were the retained earnings and other equity balances of the Pteris Group immediately before the completion of the Pteris Acquisition;

(e) The equity structure presented in the consolidated financial statements reflects the equity structure of CFE, including the equity interests CFE issued to effect the Pteris Acquisition. Accordingly, the equity structure of the consolidated financial statements is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares and convertible bonds of CFE issued to vendors of the Pteris Acquisition in the reverse acquisition;

(f) The liability component of convertible bonds is a distribution to the vendors of the Pteris Acquisition, who are effectively benefited from the liability component of the convertible bonds issued.

(g) The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 reflected the results of the Pteris Group for the whole year and the results of the CFE Group after the completion of the Pteris Acquisition; and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(h) The comparative figures presented in the consolidated financial statements were that of the Pteris Group, unless otherwise stated.

The consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRSs and requirement of the Hong Kong Companies ordinance Cap. 622 ("HKCO"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL"), financial assets at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 "Financial Instruments";
- HKFRS 15 "Revenue from Contracts with Customers";
- Classification and Measurements of Share-based Payment Transactions – Amendments to HKFRS 2;
- Annual Improvements 2014-2016 cycle;
- Transfer to Investment Property-Amendments to HKAS 40; and
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(a) New and amended standards adopted by the Group (cont'd)

The Group had to change its accounting policies and make modified retrospective adjustments as a result of adopting HKFRS 9 and HKFRS 15. The impact of the adoption of these two standards and the new accounting policies adopted are set out in Note 2.1.1 below. Most of the other amendments listed above did not have significant impact on the operating results and financial position of the Group for the year ended 31 December 2018.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(b) New standards and interpretations not yet adopted (cont'd)

HKFRS 16 Leases

(i) Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised in the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

(ii) Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB84,297,000 (Note 37). The Group estimates that approximately 15.74% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. The remaining lease commitments will result in the recognition of an asset and a liability for future payments and will affect the Group's profit and classifications in the statement of cash flows.

(iii) Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies

The Group adopted HKFRS 9 and HKFRS 15 from 1 January 2018, which result in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provision for impairment have not been restated but reclassified in the comparative period.

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

Impact on the financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been presented. The adjustments are explained in more detail as below.

Consolidated statement of financial position (extract)	**31 December 2017 as originally presented**	**Effects of adoption of HKFRS 9**	**Effects of adoption of HKFRS 15**	**1 January 2018 Restated**
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Contract assets	–	–	191,774	191,774
Amounts due from contract customers	163,511	–	(163,511)	–
Trade receivables	932,056	(15,699)	(28,263)	888,094
Financial assets at FVOCI	–	15,699	–	15,699
Current liabilities				
Contract liabilities	–	–	511,650	511,650
Amounts due to contract customers	36,222	–	(36,222)	–
Trade and other payable	1,307,304	–	(475,428)	831,876

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies

HKFRS 9 Financial Instruments

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

There is no impact on the Group's retained earnings and reserves due to the classification and measurement of financial instruments as at 1 January 2018.

(i) Classification and measurement

– Financial assets

The Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**Trade receivables**	**Financial assets at FVOCI**
	RMB'000	RMB'000
Closing balance 31 December 2017 – HKAS 39	932,056	–
Reclassify bills receivable to financial assets at FVOCI	(15,699)	15,699
Opening balance 1 January 2018 – HKFRS 9	916,357	15,699

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 9 Financial Instruments (cont'd)

(i) Classification and measurement *(cont'd)*

– Financial assets *(cont'd)*

Reclassification from trade receivables – bills receivable to FVOCI

Certain bills receivable with contractual cash flows that involve solely payments of principal and interest, were reclassified to financial assets at fair value through other comprehensive income ("FVOCI"), as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The fair value of these trade and bill receivables as at 1 January 2018 was approximately equivalent to the amortized cost for these assets. There was no impact on retained earnings as at 1 January 2018.

– Financial liabilities

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

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables and contract assets
- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 9 Financial Instruments (cont'd)

(ii) Impairment of financial assets *(cont'd)*

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables and contract assets. The restatement of the loss allowance on transition to HKFRS 9 on 1 January 2018 was immaterial. The loss allowance increased from RMB57,752,000 (as at 1 January 2018) to RMB81,787,000 (as at 31 December 2018) for trade receivables and contract assets.

Other receivable

The Group applies the HKFRS 9 three-stage approach to measuring ECL. Other receivables comprise: advances to staff, deposit, advance payments made on behalf of customers and others. Since the credit risk of other receivables are considered not significantly increase since initial recognition, the impairment provision is determined as 12 months ECL. The adoption of the expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for other receivables as at 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 Revenue from Contracts with Customers on 1 January 2018. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (i) identify the contract(s) with a customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

The Group also assess its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the specific criteria have been met for each of the activities, as described below.

(i) Sales of goods

– Fire engines and fire prevention and fighting equipment
– Ground support equipment ("GSE")
– Automated parking systems ("APS")

Revenue for sales of fire engines and fire prevention and fighting equipment, GSE and APS are recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provision have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised as contract assets when the goods are delivered to and accepted by the customers while the payment is not due. The Group does not recognise warranty service as a separate performance obligation in a single contract as the warranty service is assurance type, and the Group's obligation to repair or replace faulty parts of the products under the warranty terms is recognised as a provision, see Note 2.19.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

(ii) Passenger boarding bridge ("PBB")

Revenue for sales of PBB are recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

Some contracts for sales of PBB include multiple deliverables, such as the sale of passenger boarding bridge and related installation services. When the installation work is simple, which does not include significant integration and modification of the bridge and could be performed by another party is accounted for as a separate performance obligation.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of passenger boarding bridge, transaction price as allocated to the sales of the passenger boarding bridge is recognised as revenue at a point in time when the passenger boarding bridges are delivered and the customer has accepted the bridges, and transaction price as allocated to the installation service is recognised as revenue in the accounting period in which the installation services are rendered.

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

Revenue from sales of baggage system is recognised over time when the Group's performance under the sale contracts creates and enhances an asset that the customers controls. For construction services, usually there is only one single performance identified in a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

(iii) Logistics (baggage, material and warehouse handling systems or "MHS") *(cont'd)*

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract and excluding inefficiency costs or cost not represent progress or general inventory which can redirect to fulfill other contract.

Revenue for sales of material and warehouse handling systems are recognised at a point in time, as it do not meet the criteris for recognizing revenue over time. Revenue are recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

(iv) Rendering of service

Revenue from providing services is recognised in the accounting period in which the services are rendered. The service provided by the Group is mainly related to the service for installation service. Revenue is recognised based on the actual service provided to the end of each reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost.

(v) Accounting for costs to fulfil a contract

As the shipping activities occur before the customer obtains control of related products, they are not separate performance obligation, therefore, related costs are contract fulfill cost which are recognised as cost following the adoption of HKFRS 15. The assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods to which the assets relate. Due to the short period of transportation, related assets are not material at the balance sheet date. The shipping fees are charged into the cost of sales directly as incurred for the year ended 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

(vi) Accounting for costs to obtain a contract

Sales commission fee is the costs relate directly to the contract that should be capitalized as costs to obtain a contract following the adoption of HKFRS 15. The asset is amortised on a basis that is consistent with the service period. Furthermore, HKFRS 15 allows for simplification in practice, which can be expensed if the amortization period is shorter than one year. Since the expected benefit period of which the commission payment is related is within one year, the sales commission fee is charged into the "cost of sales" or "selling and distribution expenses" directly for the year ended 31 December 2018.

(vii) Financing components

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

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

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

- Contract assets recognised in relation to uncompleted construction service when the measure of the remaining rights exceeds the measure of the remaining performance obligations, and were previously included in amount due from contract customers;
- Contract assets recognised in relation to retention receivables which can be recovered after warranty period, and were previously included in trade receivables;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

(viii) Presentation of assets and liabilities related to contracts with customers *(cont'd)*

- Contract liabilities recognised in relation to advance received from customers for non-cancellable contracts, were previously included in trade and other payables;
- Contract liabilities recognised in relation to uncompleted construction service when the measure of the remaining performance obligations exceeds the measure of the remaining rights; and were previously included in amount due to contract customers.

Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In summary, the following adjustments were made to the amounts recognized in the consolidated statement of financial position at the date of initial application (1 January 2018) and at the reporting date (31 December 2018).

	HKAS 18 and HKAS 11 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
	RMB'000	RMB'000	RMB'000
Contract assets	–	191,774	191,774
Amounts due from contract customers	163,511	(163,511)	–
Trade receivables	932,056	(28,263)	903,793
Contract liabilities	–	511,650	511,650
Amounts due to contract customers	36,222	(36,222)	–
Trade and other payable	1,307,304	(475,428)	831,876

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

Impact of adoption *(cont'd)*

	HKAS 18 and HKAS 11 carrying amount 31 December 2018	Reclassification	HKFRS 15 carrying amount 31 December 2018
	RMB'000	RMB'000	RMB'000
Contract assets	–	410,204	410,204
Amounts due from contract customers	184,055	(184,055)	–
Trade receivables	1,406,454	(226,149)	1,180,305
Contract liabilities	–	635,430	635,430
Amounts due to contract customers	205,250	(205,250)	–
Trade and other payable	1,733,335	(430,180)	1,303,155

The adoption of HKFRS 15 does not have a significant impact on measurement of revenue when the Group recognises revenue from sales of GSE, APS, MHS and fire engines and fire prevention and fighting equipment. However, the timing of revenue recognition for sales of PBB is affected. The Group did not recognise revenue from sales of PBB until the completion of installation previously, which is the point in time when the risks and rewards of ownership of the boarding bridge were transferred to the customer. The application of HKFRS 15 results in the identification of separate performance obligations in relation to sales of goods and installation service which affects the timing of the recognition of revenue. Revenue for sales of passengers boarding bridges is recognised when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods and revenue for the installation service is recognised in the accounting period in which the services are rendered. Therefore, revenue and associated costs for these contracts are recognised in profit or loss at a point of time earlier under HKFRS15 than under HKAS18. The identified effect of the revenue recognition, which is subject to the requirements of HKFRS 15, was immaterial to the retained earnings as at 1 January 2018. However, revenue recognised under HKFRS 15 was increased by RMB24,360,000, contract assets increased by RMB1,950,000, contract liabilities decreased by RMB22,410,000, inventory decreased by RMB17,860,000 and cost of sales increased by RMB17,860,000 for the year ended 31 December 2018 as compared to those that would have been recognised under HKAS18.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Changes in accounting policies and disclosures (cont'd)

(c) Changes in accounting policies (cont'd)

HKFRS 15 "Revenue from Contracts with Customers" (cont'd)

Impact of adoption *(cont'd)*

The Group has elected to make use of the following practical expedients:

- Completed contracts under HKAS 11 and HKAS 18 before the date of transition have not been reassessed.
- The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.
- The Group also applies the practical expedient in paragraph C5(c) of HKFRS 15 and the transaction price of the modified contracts reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

(i) Consolidation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Principles of consolidation and equity accounting *(cont'd)*

(a) Subsidiaries (cont'd)

(i) Consolidation *(cont'd)*

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

(ii) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

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

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Principles of consolidation and equity accounting *(cont'd)*

(a) Subsidiaries (cont'd)

(ii) Business combination *(cont'd)*

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Principles of consolidation and equity accounting *(cont'd)*

(b) Transactions with non-controlling interests

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

(c) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.3 Property, plant and equipment

(a) Measurement

(i) Land and buildings

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

(ii) Other property, plant and equipment

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

(iii) Assets under construction

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

(iv) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.5 on borrowing costs).

(b) Depreciation

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

	Useful lives
Land and buildings – Singapore	30 years
Land and buildings – China	20-50 years
Motor vehicles	4-10 years
Machinery and equipment	3-10 years
Office and other equipment	3-10 years
Leasehold improvements	Over the shorter of the term of the lease or 5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.3 Property, plant and equipment *(cont'd)*

(b) Depreciation (cont'd)

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.4 Intangible assets

(a) Measurement

(i) Goodwill on acquisitions

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Intangible assets *(cont'd)*

(a) Measurement (cont'd)

(ii) Research and development costs

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

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

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

Capitalized development costs are recognized as intangible assets on the consolidation statement of financial position and amortised from the date which the project ready for use on a straight-line basis over its useful life, not exceeding ten years. Those capitalized development costs have not reached the intended use are tested for impairment annually.

(iii) Customer relationships and order backlog

Customer relationships and order backlog acquired in a business combination is recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives of 1 to 2 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Intangible assets *(cont'd)*

(a) Measurement (cont'd)

(iv) Trademark

Trademark acquired in a business combination is recognised at fair value at the acquisition date. It has an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. Therefore, the trademark would not be amortised until its useful life is determined to be finite. It would be tested for impairment annually or whenever there is an indication that it may be impaired.

(v) Other intangible assets

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

(b) Subsequent expenditure

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

(c) Amortisation

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

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

The estimated useful lives are as follow:

	Useful lives
Software	10 years
Operating rights of automated parking system	13-18 years
Patents	8-10 years
Customer relationship	2 year
Backlog	1 year

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Borrowing costs

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

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

2.6 Investment properties

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Investment properties *(cont'd)*

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

2.7 Separate financial statements

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

2.8 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Impairment of non-financial assets *(cont'd)*

(b) Intangible assets

Property, plant and equipment

Interests in subsidiaries

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets, property, plant and equipment and interests in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value through profit or loss ("FVPL") or FVOCI, and

(ii) 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 OCI. For investments in equity instruments that are not held for trading, this will depend on whether the 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 Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial assets *(cont'd)*

(c) Measurement (cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: 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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial assets *(cont'd)*

(c) Measurement (cont'd)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables and amount due to related parties, the Group applies the HKFRS 9 three stage approach to measuring ECL, see Note 3.2 for further details.

(f) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

Until 31 December 2017, the Group classified its financial assets as loans and receivables and financial assets at fair value through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial assets *(cont'd)*

(f) Accounting policies applied until 31 December 2017 (cont'd)

(ii) Subsequent measurement (cont'd)

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method. Financial assets at fair value through profit or loss are subsequently carried at fair value.

(iii) Impairment

Assets carried at amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Derivative financial instruments

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

2.11 Fair value estimation of financial assets and liabilities

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

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

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

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

2.12 Offsetting of financial instruments

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

2.13 Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.14 Trade and other payables

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

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

2.15 Land use rights

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

2.16 Leases

(a) When the Group is the lessee

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

(i) Lessee – Operating leases

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

(b) When the Group is the lessor

(i) Lessor – Operating leases

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.17 Inventories

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

2.18 Income taxes

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

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

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

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

Deferred income tax is measured:

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

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.18 Income taxes *(cont'd)*

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

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

2.19 Provisions

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

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

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

2.20 Employee compensation

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

(a) Defined contribution plans

The Group participates in defined contribution retirement benefit plans organized by the local government in the PRC. The Group was required to make monthly defined contributions to these plans based on certain percentage of the basic salary of employees. It is the local government's responsibility to pay the retirement pension to those staff who retired.

The Group participates in post-employment benefit plans in Singapore, under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.20 Employee compensation *(cont'd)*

(a) Defined contribution plans (cont'd)

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of each employee's relevant aggregate income.

(b) Termination benefits

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

(c) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Foreign currency translation

(a) Change in presentation currency

The consolidated financial statements for the year ended 31 December 2018 are presented in Renminbi ("RMB"), which is different from the presentation currency of Singaporean dollars ("SGD") used in Pteris' consolidated financial statements for the ended 31 December 2017. Since most of the Group's transactions are denominated and settled in RMB, especially after the completion of the Pteris Acquisition, the management considered that the change in presentation currency to the functional currency of the Company give a more fair presentation of the Group's financial performance.

The change in presentation currency of the consolidated financial statements from SGD to RMB was retrospectively in accordance with the Hong Kong Accounting Standard 8 "Accounting Policies, Accounting Estimates and Errors", the comparative figures in the consolidated financial statements have been restated accordingly.

(b) Functional and presentation currency

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

(c) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Foreign currency translation *(cont'd)*

(d) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Foreign currency translation *(cont'd)*

(e) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.22 Segment reporting

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

2.23 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Government grants

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

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

Government grants relating to costs are deferred and recognized in the consolidated statement of profit or loss as other gain over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight- line basis over the expected lives of the related assets.

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

2.25 Share capital

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

2.26 Dividends to the Company's shareholders

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.27 Convertible bonds

Convertible bonds issued by the Company can be converted to ordinary shares of the Company at the option of the holders, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of the convertible bonds is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the convertible bonds as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds – equity conversion reserve. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the convertible bonds is measured at amortised cost using the effective interest method. The equity component of the convertible bonds is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.28 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.29 Construction contracts – applied until 31 December 2017

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Market risk

(a) Foreign currency risk

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

The carrying amounts of the above mentioned foreign currency denominated monetary assets and monetary liabilities held by those operations as at 31 December 2018 and 2017 are as follows:

	2018	2017
	RMB'000	RMB'000
Assets		
United States dollars ("USD")	**142,620**	191,523
Euro ("EUR")	**126,292**	128,141
SGD	**21,850**	5,381
Hong Kong dollar ("HKD")	**65,766**	12,156
Rouble ("RUB")	**17,138**	198
Total	**373,666**	337,399
Liabilities		
USD	**(30,639)**	(75,385)
EUR	**(99,323)**	(47,043)
SGD	**(1,253)**	–
HKD	**(1,044)**	(1,619)
Total	**(132,259)**	(124,047)

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Market risk *(cont'd)*

(a) Foreign currency risk (cont'd)

The major foreign exchange risk relates to the fluctuation of USD, EUR, SGD, HKD and RUB against RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

	Increase/(decrease) in profit before tax for the year	
	2018	2017
	RMB'000	RMB'000
– if RMB strengthens against foreign currencies		
USD	**(5,599)**	(5,807)
EUR	**(1,348)**	(4,055)
SGD	**(1,030)**	(269)
HKD	**(3,236)**	(527)
RUB	**(857)**	(10)

	Increase/(decrease) in profit before tax for the year	
	2018	2017
	RMB'000	RMB'000
– if RMB weakens against foreign currencies		
USD	**5,599**	5,807
EUR	**1,348**	4,055
SGD	**1,030**	269
HKD	**3,236**	527
RUB	**857**	10

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Market risk *(cont'd)*

(b) Interest rate risk

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

As at 31 December 2018 and 2017, if the interest rates had increased/decreased by 1% with all other variables including tax rate being held constant, the profit before tax for the year would have been lower/higher by RMB5,499,000 and RMB1,127,000, respectively, mainly as a result of higher/lower interest expense on these borrowings.

3.2 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, pledged bank deposits, trade and other receivables and contract assets.

(a) Risk management

For cash and cash equivalents and pledged bank deposits, management manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks, financial institutions having high-credit-quality in the PRC, Hong Kong, Singapore and other countries.

For trade and other receivables, contract assets and amount due from related parties, the Group has policies in place to ensure that sale of goods are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, pledged bank deposits, trade and other receivables, contract assets and amount due from related parties represent the Group's maximum exposure to credit risk in relation to financial assets.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Credit risk *(cont'd)*

(b) Impairment of financial assets

Trade receivables, contract assets, amount due from related parties and other receivables are subject to the expected credit loss ("ECL") model. While cash and cash equivalents and pledged bank deposits, are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and amount due from related parties, the Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

Impairment of trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to uncompleted construction service and retention receivables have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 and 1 January 2018 respectively. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables and contract assets.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Credit risk *(cont'd)*

(b) *Impairment of financial assets (cont'd)*

	Current	Less than 1 year past due	1-2 years past due	2-3 years past due	More than 3 years past due	Total
31 December 2018						
Expected loss rate	**0%**	**1%**	**8%**	**53%**	**85%**	
Gross carrying amount (RMB'000)						
– Trade receivables	**573,925**	**456,728**	**124,904**	**77,268**	**29,267**	**1,262,092**
– Contract assets	**410,204**	**–**	**–**	**–**	**–**	**410,204**
Loss allowance (RMB'000)						
– Trade receivables	**–**	**5,929**	**9,749**	**41,247**	**24,862**	**81,787**
– Contract assets	**–**	**–**	**–**	**–**	**–**	**–**

	Current	Less than 1 year past due	1-2 years past due	2-3 years past due	More than 3 years past due	Total
1 January 2018						
Expected loss rate	0%	2%	23%	66%	85%	
Gross carrying amount (RMB'000)						
– Trade receivables	456,291	386,873	53,109	34,699	14,874	945,846
– Contract assets	163,511	–	–	–	–	163,511
Loss allowance (RMB'000)						
– Trade receivables	–	8,786	13,511	22,820	12,635	57,752
– Contract assets	–	–	–	–	–	–

The group is exposed to credit risk if counterparties fail to make payments as invoices fall due beyond credit terms.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 **FINANCIAL RISK MANAGEMENT** *(cont'd)*

3.2 **Credit risk** *(cont'd)*

(b) Impairment of financial assets (cont'd)

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables and contract assets RMB'000
31 December 2017 – calculated under HKAS 39	**(57,752)**
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	(57,752)
Increase in loss allowance recognised in profit or loss during the year	(24,035)
At 31 December 2018	**(81,787)**

Impairment of other receivables and amount due from related parties

The Group applies the HKFRS 9 three-stage approach to measuring ECL. Other receivables comprise: advances to staff, deposit, advance payments made on behalf of customers and others. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. The directors believe that the credit risk of the other receivables is insignificant, and there is no significant increase of credit risk since initial recognition, therefore related loss allowance limited to 12 months ECL is immaterial. As the amount due from related parties is all preforming and the directors also believe that the credit risk of amount due from related parties is insignificant, therefore related loss allowance for amount due from related parties is immaterial.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Credit risk *(cont'd)*

(b) Impairment of financial assets (cont'd)

Impairment of other receivables and amount due from related parties (cont'd)

The closing loss allowances for other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Other receivables RMB'000
31 December 2017 – calculated under HKAS 39	(2,373)
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	(2,373)
Increase in loss allowance recognised in profit or loss during the year	(1,291)
At 31 December 2018	**(3,664)**

3.3 Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Liquidity risk *(cont'd)*

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017					
Borrowings (including interest payable upon maturity)	116,847	–	–	–	116,847
Trade and other payables excluding non-financial liabilities	791,532	–	3,000	1,524	796,056
Amount due to related parties	3,809				3,809
Total	912,188	–	3,000	1,524	916,712
At 31 December 2018					
Borrowings (including interest payable upon maturity)	**545,145**	**–**	**–**	**–**	**545,145**
Trade and other payables excluding non-financial liabilities	**1,218,298**	**3,119**	**525**	**2,257**	**1,224,199**
Convertible bonds (including interest payable)	**1,450**	**1,393**	**4,179**	**1,427,931**	**1,434,953**
Amount due to related parties	**75,212**	**–**	**–**	**–**	**75,212**
Total	**1,840,105**	**4,512**	**4,704**	**1,430,188**	**3,279,509**

3.4 Capital risk management

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

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

The Group monitors its capital risk based on the debt-to-equity ratio. The debt-to-equity ratio is calculated by dividing the net debt (total borrowings and convertible bonds net of cash and cash equivalents) by the total owners' equity.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.4 Capital risk management *(cont'd)*

The Group has net debt of RMB160,605,000 as at 31 December 2018.

The Group's debt-to-equity ratio is 5.31% at 31 December 2018.

Since the Group's cash and bank balance was larger than borrowing amount, the Group's debt-to-equity ratio was zero as at 31 December 2017.

3.5 Fair value estimation

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Assets				
Financial assets at FVOCI	–	–	22,065	22,065

3 **FINANCIAL RISK MANAGEMENT** *(cont'd)*

3.5 **Fair value estimation** *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Assets				
Financial assets at FVPL				
Derivative financial instruments	903	–	–	903
Equity securities designated at FVPL	1,299	–	–	1,299
Total financial assets	2,202	–	–	2,202

There were no transfers between levels 1 and 2 or levels 2 and 3 during the year 2018 and 2017.

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

The significant unobservable inputs used to determine the fair value of financial assets at FVOCI are discount rates, ranged from 4%- 4.6% as at 31 December 2018. The fair value changes of level 3 instruments for the year ended 31 December 2018 is insignificant.

The fair values of financial assets and liabilities measured at amortised cost approximate their carry amounts.

A team in the finance department of the Group performs the valuations of non-property items required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter.

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Impairment of goodwill

Goodwill is tested for impairment annually in accordance with the accounting policy stated in Note 2.8.

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

(b) Revenue recognition for the logistics system business ("MHS") using over time method

The Group recognise revenue for MHS using over time method when the Group's performance under the sale contracts creates and enhances an asset that the customers controls.

When using over time method, the Group recognised revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each performance in the contract and excluding inefficiency costs or cost not represent progress or general inventory which can redirect to fulfill other contract.

Significant judgements and estimations are used in determining the progress of performance for revenue recognition for the MHS using over time method.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(cont'd)*

(c) Impairment for trade receivables

The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Details of the key assumptions and inputs used are disclosed in the tables in Note 3.2 Credit risk.

(d) Uncertain tax positions

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax charged to profit or loss are set out in Note 9.

(e) Fair value estimation on investment properties

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

(f) Reverse acquisition of Pteris

The Company completed the Pteris Acquisition on 23 April 2018. Management applied judgement to conclude that the acquisition of Pteris is a reverse acquisition. Accounting for acquisitions requires the Group to allocate purchase price to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the business combination (Note 36), the Group has undertaken a process to identify all assets and liabilities acquired. Judgements made in identifying all acquired assets and liabilities, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill and amortisation charges in subsequent periods. Estimated fair values are based on information available at the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of intangible assets acquired also requires judgement. The details of the reverse acquisition are set out in Note 36.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(cont'd)*

(g) Valuation of the convertible bonds

Convertible bonds were issued by the Company to effect the Pteris Acquisition. The fair value of the convertible bonds was determined based on the discounted cash flow method and the binomial option pricing model. Such process involved significant judgements and estimates to determine the key assumptions, including spot price, discount rate, expected volatility, risk-free rate and expected dividend yield. The details of the fair value and the estimates are set out in Note 31.

5 REVENUE AND SEGMENT INFORMATION

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

– Passengers boarding bridge and automated parking system: the manufacture and sales of passenger boarding bridges and automated vehicle parking systems;

– Ground support equipment: the manufacture and repair of airport ground support equipment;

– Logistics system business: the provision of baggage, materials and warehousing handling systems; and

– Fire engines and fire prevention and fighting equipment: the production and sale of fire engines, fire prevention and fighting equipment.

The accounting policies of the reportable segments are the same as described in Note 2 to the consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

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

Information about operating segment profit or loss:

For the year ended 31 December 2018

	Passenger boarding bridge and automated parking system RMB'000	Ground support equipment RMB'000	Logistics system business RMB'000	Fire engines and fire prevention and fighting equipment RMB'000	Total RMB'000
Timing of revenue recognition					
– At a point in time	1,002,321	238,908	280,355	540,112	2,061,696
– Over time	115,998	83	600,787	7,857	724,725
Revenue from external customers	1,118,319	238,991	881,142	547,969	2,786,421
Reportable segment profit before income tax	163,543	9,499	19,364	23,631	216,037
Unallocated corporate expenses					(9,762)
Share of losses of associates					(3,816)
Interest expenses on convertible bonds					(5,982)
Profit before income tax					196,477
Income tax expense					(23,859)
Profit for the year					172,618
Other information					
Depreciation of property, plant and equipment	22,344	4,518	9,644	8,090	44,596
Amortisation of intangible assets and prepaid land lease payments	10,686	287	1,540	9,774	22,287

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

(a) Information about operating segment profit or loss, assets and liabilities *(cont'd)*

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

For the year ended 31 December 2017

	Passenger boarding bridge and automated parking system RMB'000	Ground support equipment RMB'000	Logistics system business RMB'000	Total RMB'000
Timing of revenue recognition				
– At a point in time	784,212	203,802	187,570	1,175,584
– Over time	156,016	–	331,085	487,101
Revenue from external customers	940,228	203,802	518,655	1,662,685
Reportable segment profit before income tax	118,119	10,734	9,324	138,177
Income tax expense				(18,496)
Profit for the year				119,681
Other information				
Depreciation of property, plant and equipment	25,684	1,102	7,806	34,592
Amortisation of intangible assets and prepaid land lease payments	10,648	338	357	11,343

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

(a) Information about operating segment profit or loss, assets and liabilities *(cont'd)*

Information about operating segment assets and liabilities:

	At 31 December 2018					
	Passenger boarding bridge and automated parking system RMB'000	Ground support equipment RMB'000	Logistics system business RMB'000	Fire Engines and fire prevention and fighting equipment RMB'000	Unallocated RMB'000	Total RMB'000
Assets						
Reportable segment assets						
Trade receivables	605,042	78,008	221,159	276,096	–	1,180,305
Inventories	409,155	80,817	45,324	256,234	–	791,530
Property, plant and equipment	298,699	88,928	178,991	179,690	–	746,308
Contract assets	131,740	–	239,734	38,730	–	410,204
Intangible assets	97,031	2,292	128,490	80,706	–	308,519
Investment properties	70,173	–	180,896	–	–	251,069
Prepaid land lease payments	36,875	11,066	21,149	44,184	–	113,274
Financial assets at FVOCI	22,065	–	–	–	–	22,065
Investment in associates	–	–	–	–	734,358	734,358
Pledged bank deposits	–	–	–	–	10,628	10,628
Cash and cash equivalents	–	–	–	–	468,607	468,607
Prepayment and other receivables	–	–	–	–	432,435	432,435
Other non-current assets	–	–	–	–	358,316	358,316
Deferred income tax assets	–	–	–	–	44,055	44,055
Amount due from related parties	–	–	–	–	29,337	29,337
	1,670,780	261,111	1,015,743	875,640	2,077,736	5,901,010

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

(a) Information about operating segment profit or loss, assets and liabilities *(cont'd)*

Information about operating segment assets and liabilities *(cont'd)*:

	At 31 December 2018					
	Passenger boarding bridge and automated parking system RMB'000	Ground support equipment RMB'000	Logistics system business RMB'000	Fire Engines and fire prevention and fighting equipment RMB'000	Unallocated RMB'000	Total RMB'000
Liabilities						
Reportable segment liabilities						
Trade payables	255,749	55,787	182,089	269,246	–	762,871
Contract liabilities	417,286	7,144	59,357	151,643	–	635,430
Provisions	40,646	13,943	20,874	8,459	–	83,922
Borrowings	–	–	–	–	544,885	544,885
Other payables	–	–	–	–	554,736	554,736
Amounts due to related parties	–	–	–	–	75,212	75,212
Convertible bonds	–	–	–	–	84,327	84,327
Current income tax liabilities	–	–	–	–	52,428	52,428
Deferred income tax liabilities	–	–	–	–	18,251	18,251
Deferred income	–	–	–	–	66,619	66,619
	713,681	76,874	262,320	429,348	1,396,458	2,878,681

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

(a) Information about operating segment profit or loss, assets and liabilities *(cont'd)*

Information about operating segment assets and liabilities *(cont'd)*:

	At 31 December 2017				
	Passenger boarding bridge and automated parking system RMB'000	Ground support equipment RMB'000	Logistics system business RMB'000	Unallocated RMB'000	Total RMB'000
Assets					
Reportable segment assets					
Trade receivables	670,676	71,210	190,170	–	932,056
Inventories	394,209	78,979	37,316	–	510,504
Property, plant and equipment	357,021	90,092	104,077	–	551,190
Amounts due from contract customers	–	–	163,511	–	163,511
Intangible assets	101,257	2,022	126,036	–	229,315
Investment properties	69,576	–	176,444	–	246,020
Prepaid land lease payments	37,812	11,307	21,608	–	70,727
Pledged bank deposits	–	–	–	518	518
Cash and cash equivalents	–	–	–	220,340	220,340
Prepayment and other receivables	–	–	–	134,171	134,171
Other non-current assets	–	–	–	4,019	4,019
Deferred income tax assets	–	–	–	21,491	21,491
Amount due from related parties	–	–	–	30,861	30,861
Other financial assets	–	–	–	2,202	2,202
	1,630,551	253,610	819,162	413,602	3,116,925

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

(a) Information about operating segment profit or loss, assets and liabilities *(cont'd)*

Information about operating segment assets and liabilities *(cont'd)*:

	At 31 December 2017				
	Passenger boarding bridge and automated parking system RMB'000	Ground support equipment RMB'000	Logistics system business RMB'000	Unallocated RMB'000	Total RMB'000
Liabilities					
Reportable segment liabilities					
Trade payables	229,793	66,758	138,479	–	435,030
Amounts due to contract customers	–	–	36,222	–	36,222
Other payables	426,808	11,226	35,451	414,244	887,729
Provisions	36,834	11,612	31,334	–	79,780
Borrowings	–	–	–	112,731	112,731
Amounts due to related parties	–	–	–	3,809	3,809
Current income tax liabilities	–	–	–	15,655	15,655
Deferred income tax liabilities	–	–	–	3,306	3,306
Deferred income	–	–	–	76,894	76,894
	693,435	89,596	241,486	626,639	1,651,156

5 **REVENUE AND SEGMENT INFORMATION** *(cont'd)*

(b) **Geographical information**

The Group has operations in PRC, Germany, Singapore, France, the United States of America, Malaysia, United Arab Emirates, Russia, Netherlands and India, etc.

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

	2018	2017
	RMB'000	RMB'000
Revenue		
PRC	**1,851,852**	934,249
North America	**286,214**	104,373
Europe	**249,190**	144,023
Asia (excluding PRC)	**184,677**	269,727
Middle East	**124,950**	34,494
Africa	**48,445**	139,352
South America	**36,631**	28,358
Oceania	**4,462**	8,109
	2,786,421	1,662,685

	2018	2017
	RMB'000	RMB'000
Non-current assets (excluding deferred tax assets and goodwill)		
PRC	**1,487,836**	708,585
Germany	**573,487**	–
Singapore	**272,089**	269,027
France	**1,481**	1,411
United States of America	**1,263**	815
Others	**374**	54
	2,336,530	979,892

5 REVENUE AND SEGMENT INFORMATION *(cont'd)*

(c) Revenue from major customers

During the year ended 31 December 2018 and 2017, there were nil customers which individually contributed over 10% of the Group's total revenue.

6 OTHER INCOME

	2018	2017
	RMB'000	RMB'000
Rental income	**43,453**	27,947
Government grants	**32,440**	24,103
Sale of scrap materials	**3,961**	2,189
Interest income	**2,103**	2,003
Dividend income	**31**	49
Others	**876**	4,490
	82,864	60,781

7 OTHER GAINS/(LOSSES) – NET

	2018	2017
	RMB'000	RMB'000
Gains/(losses) on disposal of property, plant and equipment	**123**	(10)
(Losses)/gains on fair value of other financial assets	**(1,540)**	1,141
Gains on fair value of investment properties	**601**	1,058
Write-back of guarantees for third parties	**–**	2,150
Net foreign exchange gains/(losses)	**17,656**	(9,652)
Others	**5,616**	1,675
	22,456	(3,638)

8 FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Finance costs:		
– Interest expenses on loan from related parties	**9,602**	2,972
– Interest expenses on bank borrowings	**8,057**	4,197
– Interest expenses on convertible bonds (Note 31)	**5,982**	–
Others	**–**	98
	23,641	7,267

9 INCOME TAX EXPENSE

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

	2018 RMB'000	2017 RMB'000
Current income tax		
– Current tax on profits for the year	**32,387**	14,671
– Under-provision in prior years	**355**	2,489
Deferred income tax (Note 27)	**(8,883)**	1,336
Income tax expense	**23,859**	18,496

The applicable tax rates to the Company and its significant subsidiaries during the year are as follows:

(a) PRC corporate income tax

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

Six subsidiaries of the Group: Allied Best (China), Shenzhen CIMC Intra logistics Systems Co., Ltd., SZ TianDa, Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd., Xinfa Airport Equipment Ltd., and Zhengzhou Jinte Logistics Automation System Co., Ltd. are qualified for new/high-technology enterprises status and enjoyed preferential income tax rate of 15%.

(b) The applicable tax rate for Hong Kong profits is 16.5%.

(c) The applicable tax rate for Singapore profits is 17%.

(d) The applicable federal income tax rate for USA and Canada profits is 21% and 38% respectively.

(e) The applicable federal income tax rate for India and Thailand profits is 30% and 20% respectively.

(f) The applicable tax rate for Malaysia profits is 24%.

9 INCOME TAX EXPENSE *(cont'd)*

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the PRC standard tax rate 25% (2017: Singapore standard tax rate 17%) during the respective periods is as follows:

	2018	2017
	RMB'000	RMB'000
Profit before income tax	**196,477**	138,177
Tax calculated at tax rate of 25% (2017: 17%)	**49,119**	23,491
Tax effect of:		
Expenses not deductible for tax purpose	**6,021**	2,933
Income not subject to income tax and tax incentive	**(5,283)**	(1,195)
Utilization of previously unrecognised tax losses	**(4,562)**	–
Under provision in prior years	**958**	2,483
Effect of different tax rates of subsidiaries	**(26,845)**	(13,609)
Deferred tax benefits not recognised (g)	**5,098**	4,177
Others	**(647)**	216
Income tax expense	**23,859**	18,496

9 INCOME TAX EXPENSE *(cont'd)*

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

The Group has accumulated unrecognised tax losses and capital allowances of approximately RMB362,199,000 and RMB355,745,000 as at 31 December 2018 and 2017 respectively, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry date.

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

	Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights		
	Before tax	**Tax charge**	**After tax**
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018	–	–	–
Year ended 31 December 2017	594	–	594

10 EXPENSES BY NATURE

	2018	2017
	RMB'000	RMB'000
Cost of inventories	**1,593,496**	860,867
Employee benefit expenses (Note 11)	**389,896**	290,608
Subcontracting expenses	**314,169**	185,760
Shipping fees	**49,759**	46,320
Travelling expense	**43,429**	33,400
Depreciation of property, plant and equipment (Note 15)	**44,596**	34,592
Warranty	**20,913**	3,913
Tax fee	**20,528**	12,668
Amortisation of intangible assets (Note 17)	**19,915**	9,558
Operating lease expense	**12,001**	7,610
Bank settlement charges	**9,974**	6,557
Sales commission	**9,910**	5,308
Entertainment expense	**8,618**	11,236
Auditors fees	**3,900**	2,101
Amortisation of prepaid land lease payments (Note 14)	**2,372**	1,785
Exhibition costs	**1,673**	1,831
Telephone and communication fee	**1,218**	1,809
Others	**96,114**	53,033
Total cost of sales, selling and distribution expense and general and administrative expenses	**2,642,481**	1,568,956

11 EMPLOYEE BENEFIT EXPENSES

	2018	2017
	RMB'000	RMB'000
Salaries, wages and welfare	**338,890**	240,331
Pension, housing fund, medical insurance and other social insurances (a)	**51,006**	50,590
	389,896	290,921
Less: employee benefits capitalized	**–**	(313)
	389,896	290,608

(a) The Group participates in defined contribution retirement benefit plans organized by the local government in the PRC. For the years ended 31 December 2018 and 2017, the Group was required to make monthly defined contributions to these plans based on certain percentage of the basic salary of employees. It is the local government's responsibility to pay the retirement pension to those staff who retired.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of each employee's relevant aggregate income.

The Group also participates in post-employment benefit plans in Singapore, under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the contribution payments as required by the applicable rules and regulations in places where the Group has operations.

12 DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

13 EARNINGS PER SHARE

	2018	2017
	RMB cent	RMB cent
Basic earnings per share	**1.39**	1.33
Diluted earnings per share	**1.01**	0.70

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share (after taking into effect of the adjustment on reverse acquisition)	**165,403**	86,118
Finance costs saving on conversion of convertible bonds outstanding (net of tax)	**4,995**	–
Profit attributable to owners of the Company for the purpose of calculating diluted earnings per share	**170,398**	86,118
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**11,915,738**	6,455,429
Effect of dilutive potential ordinary Shares arising from convertible bonds outstanding	**4,953,751**	5,780,286
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**16,869,489**	12,235,715

There was no dilutive effect of the share options granted to the earnings per share as the average market prices of the Shares for the years ended 31 December 2017 and 2018 were lower than the exercise price of the share options granted.

14 PREPAID LAND LEASE PAYMENTS

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

	2018 RMB'000	2017 RMB'000
Cost		
At beginning of the year	**78,773**	75,173
Acquisition of subsidiaries (Note 36)	**44,919**	–
Additions	**–**	3,600
At end of the year	**123,692**	78,773
Accumulated amortisation		
At beginning of the year	**8,046**	6,261
Amortisation of land use rights	**2,372**	1,785
At end of the year	**10,418**	8,046
Net book value	**113,274**	70,727

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

Amortisation of land use rights has been charged to the consolidated statement of profit or loss (Note 10) as follows:

	2018 RMB'000	2017 RMB'000
Cost of sales	**1,407**	935
General and administrative expenses	**965**	850
	2,372	1,785

15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2017	478,072	70,791	4,199	49,352	3,825	606,239
Currency translation differences	(19)	(2,695)	(62)	(118)	(23)	(2,917)
Additions	9,035	8,384	1,768	12,551	8,795	40,533
Disposals and write-offs	(1,288)	(901)	(333)	(299)	–	(2,821)
Reclassification	103	1,724	–	–	(1,827)	–
Transfer to investment properties (Note 16)	(9,951)	–	–	–	–	(9,951)
Acquired from acquisition	–	–	–	191	–	191
As at 31 December 2017	475,952	77,303	5,572	61,677	10,770	631,274
Accumulated depreciation						
As at 1 January 2017	37,619	3,750	2,051	8,365	–	51,785
Currency translation differences	(758)	(374)	(189)	(573)	–	(1,894)
Depreciation charge	17,448	6,537	808	9,799	–	34,592
Disposals and write-offs	(757)	(263)	(232)	(193)	–	(1,445)
Transfer to investment properties (Note 16)	(2,954)	–	–	–	–	(2,954)
As at 31 December 2017	50,598	9,650	2,438	17,398	–	80,084
Net book value						
As at 31 December 2017	425,354	67,653	3,134	44,279	10,770	551,190

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2018	475,952	77,303	5,572	61,677	10,770	631,274
Currency translation differences	2,872	(218)	8	(395)	871	3,138
Additions	2,589	8,560	2,280	3,754	32,708	49,891
Disposals and write-offs	–	(809)	(576)	(1,021)	–	(2,406)
Reclassification	–	9,185	335	(9,391)	(129)	–
Acquired from acquisition (Note 36)	171,560	11,836	2,156	1,337	61	186,950
As at 31 December 2018	652,973	105,857	9,775	55,961	44,281	868,847
Accumulated depreciation						
As at 1 January 2018	50,598	9,650	2,438	17,398	–	80,084
Currency translation differences	281	(273)	(67)	(304)	–	(363)
Depreciation charge	23,443	9,464	1,222	10,467	–	44,596
Disposals and write-offs	–	(505)	(337)	(936)	–	(1,778)
Reclassification	–	2,624	30	(2,654)	–	–
As at 31 December 2018	74,322	20,960	3,286	23,971	–	122,539
Net book value						
As at 31 December 2018	578,651	84,897	6,489	31,990	44,281	746,308

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income (Note 10) as follows:

	2018 RMB'000	2017 RMB'000
Cost of sales	**23,443**	16,669
Selling and distribution costs	**320**	201
General and administrative expenses	**20,833**	17,722
	44,596	34,592

Construction in progress as at 31 December 2018 and 2017 mainly comprises capital expenditures incurred for the construction of new factories in the PRC.

There were no borrowing cost capitalised.

At 31 December 2018 and 2017, the Group was in the process of applying for the property rights certificates in respect of buildings in PRC with carrying amounts of RMB170,073,000 and RMB173,636,000.

16 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At fair value		
At beginning of the year	**246,020**	234,421
Currency translation differences	**4,448**	2,950
Net gains from fair value adjustment (Note 7)	**601**	1,058
Transfer from property, plant and equipment	**–**	6,997
Fair value uplift at the date of transfer of investment properties from property, plant and equipment and land use rights	**–**	594
At end of the year	**251,069**	246,020

16 INVESTMENT PROPERTIES *(cont'd)*

(a) Amounts recognised in profit or loss in respect of the investment properties

	2018 **RMB'000**	2017 RMB'000
Rental income	**19,273**	21,904
Direct operating expenses from property that generated rental income	**5,179**	3,506
Fair value gain recognised in other gains	**601**	1,058

At 31 December 2018 and 2017, the details of the Group's investment properties are as follows:

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

As at 31 December 2018 and 2017, the Group had no unprovided contractual obligations for future repairs and maintenance.

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through rent or sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 27).

Fair value of the investment properties was determined based on a valuation performed by the management. As at 31 December 2018 and 2017, the revaluation gains or losses is included in "Other gains/(losses) – net "in the consolidated statement of profit or loss (Note 7). The following table analyses the investment properties carried at fair value, by valuation method.

16 INVESTMENT PROPERTIES *(cont'd)*

(b) Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	RMB'000	RMB'000
31 December 2018			
– Office building – Singapore	**–**	**–**	**180,896**
– Land use rights and factory building – China	**–**	**–**	**70,173**
31 December 2017			
– Office building – Singapore	–	–	176,448
– Land use rights and factory building – China	–	–	69,572

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

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

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

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

16 INVESTMENT PROPERTIES *(cont'd)*

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

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

Description	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Office building – Singapore	Income approach	Rental growth rate and discount rate	The higher the rental growth rate, the higher the fair value. The lower the discount rate, the higher the fair value
Land use rights and factory building – China	Income approach	Rental growth rate and discount rate	The higher the rental growth rate, the higher the fair value. The lower the discount rate, the higher the fair value

(e) Valuation processes of the Group

A team in the finance department of the Group performs the valuations of investment properties required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter.

At each financial year end, the finance department:

– verifies all major inputs to the valuation report;

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

– holds discussions with the independent valuer.

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

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Operating rights for automated parking system RMB'000	Patents RMB'000	Development costs RMB'000	Total RMB'000
Cost						
As at 1 January 2017	105,922	4,444	57,804	–	–	168,170
Additions	–	1,102	–	49,219	8,183	58,504
Arising from acquisition	13,644	–	–	6,880	–	20,524
Currency translation differences	1,813	(9)	12	(139)	(23)	1,654
As at 31 December 2017	121,379	5,537	57,816	55,960	8,160	248,852
Accumulated amortisation						
As at 1 January 2017	–	2,337	7,645	–	–	9,982
Amortisation	–	455	3,374	5,729	–	9,558
Currency translation differences	–	(3)	2	(2)	–	(3)
As at 31 December 2017	–	2,789	11,021	5,727	–	19,537
Net book value						
As at 31 December 2017	121,379	2,748	46,795	50,233	8,160	229,315

17 INTANGIBLE ASSETS *(cont'd)*

	Goodwill RMB'000	Software RMB'000	Operating rights for automated parking system RMB'000	Patents RMB'000	Development costs RMB'000	Trademark RMB'000	Customer relationships RMB'000	Order backlog RMB'000	Total RMB'000
Cost									
As at 1 January 2018	121,379	5,537	57,816	55,960	8,160	–	–	–	248,852
Additions	–	1,677	936	–	3,893	–	–	–	6,506
Arising from acquisition (Note 36)	51,265	–	–	–	–	18,793	12,258	7,428	89,744
Transfer from property, plant and equipment	–	935	–	–	–	–	–	–	935
Reclassification	–	–	–	12,053	(12,053)	–	–	–	–
Currency translation differences	2,670	(77)	–	–	–	–	–	–	2,593
As at 31 December 2018	175,314	8,072	58,752	68,013	–	18,793	12,258	7,428	348,630
Accumulated amortisation									
As at 1 January 2018	–	2,789	11,021	5,727	–	–	–	–	19,537
Amortisation	–	806	3,402	6,669	–	–	4,086	4,952	19,915
Transfer from property, plant and equipment	–	645	–	–	–	–	–	–	645
Currency translation differences	–	15	(6)	5	–	–	–	–	14
As at 31 December 2018	–	4,255	14,417	12,401	–	–	4,086	4,952	40,111
Net book value									
As at 31 December 2018	175,314	3,817	44,335	55,612	–	18,793	8,172	2,476	308,519

17 INTANGIBLE ASSETS *(cont'd)*

Amortisation of intangible assets has been charged to the consolidated statement of profit or loss (Note 10) as follows:

	2018	2017
	RMB'000	RMB'000
Cost of sales	**9,263**	3,565
General and administrative expenses	**10,552**	5,993
Selling and distribution costs	**100**	–
	19,915	9,558

(a) Goodwill and trademark

(i) Impairment tests for goodwill and intangible assets with indefinite useful life

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

Trademark with indefinite useful life is part of the identifiable assets recognised in the reverse acquisition. Trademark is allocated to the CGU of CFE.

The carrying amounts of goodwill allocated to each group of CGUs as follow:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Logistics System Business of Pteris Global Limited ("MHS-PGL")	**108,540**	105,870
Fire engines and fire prevention and fighting equipment ("CFE")	**51,265**	–
Logistic System Business of Jinte ("MHS-Jinte")	**13,644**	13,644
Ground support equipment ("GSE")	**1,865**	1,865
	175,314	121,379

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

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

17 INTANGIBLE ASSETS *(cont'd)*

(a) Goodwill and trademark *(cont'd)*

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

	As at 31 December	
	2018	2017
MHS-PGL		
Gross profit margin	**20%-26%**	22-27%
Terminal value growth rate	**2.97%**	2.40%
Discount rate	**13.48%**	13.30%

	As at 31 December 2018
CFE	
Budgeted revenue growth	**9%**
Gross profit margin	**20%-21%**
Terminal value growth rate	**2.5%**
Discount rate	**10%**

	As at 31 December	
	2018	2017
MHS-Jinte		
Gross profit margin	**22%**	18%
Terminal value growth rate	**3%**	3%
Discount rate	**16%**	16%

(1) Budgeted revenue growth

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

(2) Gross profit margin

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

17 INTANGIBLE ASSETS *(cont'd)*

(a) Goodwill and trademark *(cont'd)*

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

(3) Terminal value growth rate

The discounted cash flow model uses three years, five years and five years of cash flow forecasts for MHS-PGL, CFE and MHS-Jinte CGUs respectively. A long-term growth rate of 2.97%, 2.5% and 3% into perpetuity based on the terminal year's cash flows has been applied for MHS-PGL, CFE and MHS-Jinte CGUs respectively.

(4) Discount rate

The discount rate is a pre-tax measure bases on the risk-free rate for ten-year bonds issued by the government in the relevant market where the MHS-PGL, CFE and MHS-Jinte CGUs operate, all adjusted for risk premium to reflect both the increased risk of investing in equities and the systematic risk of the respective CGUs.

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

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

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

31 December 2018

The recoverable amount of MHS-PGL exceeded its carrying amount by RMB31,764,000. If the estimated gross margin, estimated terminal growth rate and estimated discount rate used in the value-in-use calculation had been 0.45% lower, 0.64% lower and 0.53% higher than management's estimates respectively, the recoverable amount would have been equal to the carrying amount.

31 December 2017

The recoverable amount of MHS-PGL exceeded its carrying amount by RMB29,874,000. If the estimated gross margin, estimated terminal growth rate and estimated discount rate used in the value-in-use calculation had been 0.69% lower, 0.7% lower and 0.59% higher than management's estimates respectively, the recoverable amount would have been equal to the carrying amount.

17 INTANGIBLE ASSETS *(cont'd)*

(a) Goodwill and trademark *(cont'd)*

(iv) Sensitivity analysis of the key assumptions used in CFE

Management is of the view that any reasonable change in key assumptions used in the value in use calculation of CFE CGU will not result in material impact to the consolidated financial statements of the Group for the financial years ended 31 December 2018.

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

Management is of the view that any reasonable change in key assumptions used in the value in use calculation of MHS-Jinte will not result in material impact to the consolidated financial statements of the Group for the financial years ended 31 December 2018 and 2017.

(b) Operating rights for automated parking system

In 2014 and 2015, the Group entered into a service concession agreement under a "Build-Operate-Transfer" model with a local hospital in Hubei and a real estate developer in Anhui, China. Under the terms of the agreement, the Group was responsible for the construction of an automated carpark system ("Carpark System") and was given the operating rights of the Carpark System. The Group is allowed to recover its construction costs incurred by charging a fee to the users of the Carpark System over the concession period. After the construction costs for the Carpark System fully recovered, the Group is authorised to continue to operate the Carpark System for 7 years before transfer it to the hospital and the real estate developer. The management expected to have the construction costs recovered in the sixth year.

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

18 INVESTMENT IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2018. The percentage of ownership interest listed below represented the equity interest in the entities held directly by the respective subsidiaries of the Company. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest 2018	Nature of relationship	Measurement method	Carrying amount 2018
		%			RMB'000
Albert Ziegler GmbH (a)	Germany	40%	Associate	Equity method	573,487
CIMC Finance (b)	China	10.54%	Associate	Equity method	160,760
Shenzhen Zhonglian Chanxueyan Technology Co., Ltd (c)	China	33%	Associate	Equity method	111
Total investment in associates					734,358

All of the associates were acquired during the year ended 31 December 2018.

(a) Albert Ziegler GmbH ("Ziegler"), a company incorporated in Germany and is principally engaged in the production and sale of fire engines and fire prevention and fighting equipment.

(b) CIMC Finance is a company established in the PRC with limited liability. CIMC Finance is a banking financial institution established in the PRC and principally engaged in the provision of financial services to CIMC and its subsidiaries. CIMC Finance is principally engaged in the provision of (i) loans and advances to customers, discounted bills, deposits with banks and other financial institutions, investment securities; and (ii) consultancy and advisory services, entrusted loan services, guarantee and other agency services. CIMC Finance is a non-wholly owned subsidiary of CIMC.

The Group has significant influence on CIMC Finance by having a representative sitting in its board of directors.

(c) Shenzhen Zhonglian Chanxueyan Technology Co., Ltd was inactive and had not commenced its commercial operations up to 31 December 2018.

18 INVESTMENT IN ASSOCIATES *(cont'd)*

(d) Summarised financial information for associates

The tables below provide summarised financial information for Ziegler and CIMC Finance. The information disclosed reflects the amounts presented in their respective financial statements. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Ziegler 2018 RMB'000	CIMC Finance 2018 RMB'000
Summarised statement of financial position		
Current assets	1,325,327	8,955,947
Non-current assets	452,089	21,202
Current liabilities	(1,069,267)	(7,451,861)
Non-current liabilities	(79,875)	(47)
Non-controlling interests	(2,476)	–
Net assets	625,798	1,525,241
Reconciliation to carrying amounts:		
Opening net assets at acquisition dates	637,451	1,517,203
Profit for the period	(11,757)	8,416
Other comprehensive income	104	(378)
Closing net assets at 31 December 2018	625,798	1,525,241
Group's share in%	40%	10.54%
Group's share in RMB	250,319	160,760
Goodwill	323,168	–
Carrying amount	573,487	160,760

18 INVESTMENT IN ASSOCIATES *(cont'd)*

(d) Summarised financial information for associates *(cont'd)*

	Ziegler 2018 RMB'000	CIMC Finance 2018 RMB'000
Summarised statement of profit or loss and other comprehensive income		
Revenue	1,069,546	29,996
(Loss)/profit for the period	(11,757)	8,416
Other comprehensive income	104	(378)
Total comprehensive income	(11,653)	8,038

Reconciliation of the carrying amount of investment in associates:

	2018 RMB'000
At beginning of the year	–
Acquisition of a subsidiary (Note 36)	565,090
Additions	160,024
Share of loss of associates	(3,816)
Share of other comprehensive income of associates	1
Currency translation difference	13,059
At end of the year	734,358

19 OTHER NON-CURRENT ASSETS

	2018 RMB'000	2017 RMB'000
Prepayment for acquisition of subsidiaries (a)	**354,540**	–
Others	**3,776**	4,019
	358,316	4,019

(a) On 31 July 2018 and 19 October 2018, the Group entered into two acquisition agreements to acquire 60% of the equity interest in Shenyang Jietong and 100% of the equity interest in Shanghai Jindun, respectively. Pursuant to agreements, the Group made prepayments of RMB354,540,000 in total for the two acquisitions. As at 31 December 2018, the acquisitions were not completed.

20 INTERESTS IN SUBSIDIARIES

At 31 December 2018 and 31 December 2017, the Company had direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
				2018	2017
AeroMobiles Pte., Ltd.	Singapore, 16 April 2003	Manufacture and repair of airport ground support equipment	SGD1,000,000	**99.41%**	100%
萃聯（中國）消防設備製造有限公司 (Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd* ("Allied Best (China)"))	PRC, 2 August 2006	Production and sale of fire prevention and fighting equipment	HKD530,000,000	**100%**	N/A
Allied Best Holdings Limited	British Virgin Islands, 5 September 2002	Investment holding	USD1	**100%**	N/A
CFE Appliances Investment Company Limited	Hong Kong, 12 January 2005	Investment holding	HKD1,000	**100%**	N/A

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place and date of incorporation	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company 2018	2017
China Fire Safety Enterprise Group Limited (formerly known as Profit Asia International Trading Limited)	British Virgin Islands, 29 April 2009	Investment holding	USD1	**100%**	N/A
CIMC Air Marrel SAS	France, 10 December 2013	Manufacturing and exporting ground support equipment	EUR1,200,000	**99.59%**	100%
CIMC-Tianda Airport Services B.V	Netherlands, 29 March 2018	Maintenance and other specialised business services for airport and harbour equipment	EUR1,000,000	**79.67%**	N/A
CIMC-Tianda Airport Support (Hong Kong) Limited	Hong Kong 23 May 2013	Sale and distribution of passenger boarding bridge and ground support equipment	HKD1,000,000	**99.59%**	70%
中集天達 (龍岩) 投資發展有限公司(CIMC-Tianda (Longyan) Investment Development Co., Ltd.*)	PRC, 23 April 2014	Investment and asset management in parking lot business	RMB3,000,000	**59.75%**	42% (note)
CIMC-Tianda Netherlands Coöperatief U.A.	Netherlands, 4 December 2017	Airport equipment	EUR180,001	**99.59%**	70%
CIMC Pteris Middle East LLC (formerly known as IR (Middle East) LLC)	United Arab Emirates, 24 August 2004	Engineering works	AED300,000	**99.41%**	100%
CIMC Tianda USA, Inc.	USA, 22 September 2017	Airport equipment	USD1,000	**99.59%**	70%
Inter-Roller Engineering Services Pte., Ltd.	Singapore, 12 January 1990	Infrastructural engineering and maintenance services	SGD1,500,000	**99.41%**	100%

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place and date of incorporation	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company 2018	2017
Inter-Roller Investments Pte., Ltd.	Singapore, 29 June 1982	Investment holding	SGD1,000,002	**99.41%**	100%
昆山中集物流自動化設備有限公司(Kunshan CIMC Logistics Automation Equipment Co., Ltd.*)	PRC, 7 May 2014	Design, development, integration, information, consultancy, systems engineering and equipment planning for material handling system	RMB80,000,000	**91.59%**	64.38%
廊坊中集空港設備有限公司(Langfang CIMC Airport Support Ltd.*)	PRC, 25 February 2014	Manufacture and sale of automated parking system, material handling system and ground support equipment, rental of factories and property management	RMB10,000,000	**99.59%**	70%
德利九州物流自動化系統有限公司(Pteris Global (Beijing) Ltd.*)	PRC, 11 April 2005	Engineering works and after sales services	USD3,320,000	**99.41%**	100%
Pteris Global (Canada) Inc.	Canada, 11 August 2008	Supply and maintenance of airport logistics systems and equipment	CAD100	**99.41%**	100%
Pteris Global (India) Pte., Ltd.	India, 22 October 2010	Supply and maintenance of airport logistics system and equipment	INR100,000	**99.41%**	100%

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place and date of incorporation	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company 2018	2017
Pteris Global Ltd.	Singapore, 25 January 1979	manufacture and repair of airport ground support equipment and provision of engineering and computer software solutions for airport logistics and materials	SGD 254,372,306	**99.41%**	N/A
Pteris Global Sdn. Bhd.	Malaysia, 8 November 1995	Manufacture of airport logistics system and equipment	MYR8,000,000	**99.41%**	100%
Pteris Global (Singapore) Pte., Ltd. (formerly known as Pteris Pte., Ltd.)	Singapore, 22 January 1993	Investment holding	SGD300,000	**99.41%**	100%
中集德立物流系統（蘇州）有限公司 (Pteris Global (Suzhou) Ltd.*)	PRC, 17 September 2007	Design and manufacture of airport logistics system	USD4,000,000	**99.41%**	100%
Pteris Global (Thailand) Pte., Ltd.	Thailand, 15 March 2012	Supply and maintenance of airport logistics systems and equipment	THB1,000,000	**99.41%**	100%
Pteris Global (USA) Inc.	United States of America, 23 September 2008	Supply and maintenance of airport logistics systems and equipment	USD100,000	**99.41%**	100%

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place and date of incorporation	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company 2018	2017
深圳中集智能停車有限公司 (Shenzhen CIMC Autoparking System Co., Ltd.*)	PRC, 8 March 2017	Sale and technical service of automatic parking system and equipment, mechanical products, metal structural parts, self-produced products and agent products	RMB20,000,000	**99.59%**	70%
深圳中集天達空港設備有限公司 (Shenzhen CIMC-Tianda Airport Support Ltd.*) ("SZ TianDa")	PRC, 18 July 1992	Manufacture and sales of airport equipment, materials handling systems and automated parking systems	USD13,500,000	**99.59%**	70%
深圳中集天達物流系統工程有限公司(Shenzhen CIMC Intralogistics Systems Co., Ltd.*)	PRC, 18 April 2013	Planning, consultancy, development, design, production and integration of material handling system	RMB60,000,000	**99.59%**	70%
深圳中集天達吉榮航空製冷有限公司(Shenzhen CIMC-Tianda Jirong Aviation Air-conditioning Co., Ltd.*)	PRC, 9 January 2017	Research and development of air conditioning technology; sale of air conditioning equipment	RMB50,000,000	**69.71%**	49% (note)

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place and date of incorporation	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company 2018	2017
四川川消消防車輛製造有限公司 (Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd.*)	PRC, 7 November 1980	Production and sale of fire engines and fire prevention and fighting equipment	RMB80,640,000	**100%**	N/A
四川中集智慧消防科技有限公司 (前稱四川川消汽車服務有限公司) (Sichuan CIMC Zhihuixiaofang Technology Co., Ltd* (formerly known as Sichuan Chuanxiao Motor Services Co., Ltd))	PRC, 28 March 2014	Provision of fire engines repairs and maintenance services	RMB2,000,000	**100%**	N/A
Tianda-Rus Ltd.	Russia, 12 August 2015	Sale of airport equipment and material handling system	RUB10,000	**99.59%**	70%
Wang Sing Technology Limited ("Wang Sing")	British Virgin Islands, 12 October 2000	Investment holding	USD4,984,359	**100%**	N/A
民航協發機場設備有限公司 (Xinfa Airport Equipment Ltd.*)	PRC, 3 December 1997	Manufacture and sale of ground support equipment	RMB25,000,000	**69.71%**	49% (note)
鄭州中集金特物流自動化系統有限公司 (Zhengzhou Jinte Logistics Automation System Co., Ltd.*)	PRC, 11 November 2010	Sale, design and technical service of modern logistics automation system and high speed sorting systems	RMB7,500,000	**91.59%**	64.38%

Note: The Company had control over these entities as the Company's subsidiary, SZ Tianda had majority shareholdings in these entities.

* For identification only

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

(a) Material non-controlling interests

Set out below are the summarised financial information for SZ TianDa and its subsidiaries ("TianDa Group"), as at 31 December 2017 and for the year ended 31 December 2017. A non-controlling shareholder owned 30% equity interests of SZ TianDa and was considered a material non-controlling interest to the Group. The Group acquired the non-controlling interests in 2018. The financial information presented below is before inter-company eliminations.

	2017 RMB'000
Current	
Assets	1,511,772
Liabilities	(1,299,642)
Total current net assets	212,130
Non-current	
Assets	735,084
Liabilities	(82,116)
Total non-current net assets	652,968
Net assets	865,098

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

(a) Material non-controlling interests *(cont'd)*

	2017 RMB'000
Revenue	1,235,768
Profit before income tax	123,149
Income tax expense	(14,346)
Profit after tax	108,803
Other comprehensive income	(5)
Total comprehensive income	108,798
Total comprehensive income allocated to non-controlling Interests	1,317

	2017 RMB'000
Cash flows from operating activities	
Cash generated from operations	176,951
Income tax paid	(37,208)
Net cash generated from operating activities	139,743
Net cash used in investing activities	(83,817)
Net cash used in financing activities	(53,850)
Exchange losses on cash and cash equivalents	(1,287)
Net increase in cash and cash equivalents	789

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

(b) Transaction with non-controlling interests

On 23 April 2018, the Company completed the acquisition of 30% equity interests in SZ TianDa ("Tianda Acquisition") by the issuance of 1,014,679,000 shares of the Company at an issue price of HKD0.366 each and convertible bonds in the principal amount of RMB294,887,000 to the vendor of the Tianda Acquisition. SZ TianDa is a non-wholly owned subsidiary of Pteris before the transaction. The Tianda Acquisition was accounted for as transaction with non-controlling interest. The equity component of the convertible bonds of RMB289,893,000 issued was recognised as "convertible bonds – equity conversion reserves" and the liability component of RMB16,811,000 was recognised as liabilities in the consolidated statement of financial position of the Group. The difference between the fair value of the new issued shares and convertible bonds amounting to RMB615,822,000 and the carrying amount of non-controlling interest amounting to RMB209,198,000 at the completion date of the Tianda Acquisition was recognised in other reserve. The effect of the Tianda Acquisiton is summarised as follows:

	2018 RMB'000
Carrying amount of non-controlling interests acquired	**209,198**
Consideration paid to non-controlling interests	
Fair value of issued shares:	**309,118**
Fair value of convertible bonds	**306,704**
Total consideration	**615,822**
Excess of consideration paid recognised in other reserve	**406,624**

21 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables excluding prepayments	**1,368,903**	985,579
– Pledged bank deposits	**10,628**	518
– Cash and cash equivalents	**468,607**	220,340
– Amount due from related parties	**29,337**	30,861
Financial assets at FVPL		
– Other financial assets	**–**	2,202
Financial assets at FVOCI	**22,065**	–
Total	**1,899,540**	1,239,500
Financial liabilities		
Financial liabilities at amortised cost:		
– Borrowings	**544,885**	112,731
– Trade and other payables excluding non-financial liabilities	**1,224,000**	795,663
– Amount due to related parties	**75,212**	3,809
– Convertible bonds	**84,327**	–
Total	**1,928,424**	912,203

22 INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	115,794	59,827
Work in progress	550,051	416,158
Finished goods	112,480	16,798
Spare parts	23,233	28,766
	801,558	521,549
Less: provision for impairment	(10,028)	(11,045)
	791,530	510,504

The cost of inventories recognised as expenses and included in "cost of sales" in the consolidated statement of profit or loss were amounted to approximately RMB1,593,496,000 and RMB860,867,000 for the years ended 31 December 2018 and 2017, respectively.

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

	2018 RMB'000	2017 RMB'000
At beginning of the year	11,045	10,607
Provision for inventories	(448)	–
Allowance utilised	(601)	–
Currency translation differences	32	438
At end of the year	10,028	11,045

23 TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**1,262,092**	945,846
Bills receivables	**–**	15,699
Retention on construction contracts	**–**	28,263
Total trade receivables	**1,262,092**	989,808
Less: provision for impairment of trade receivables	**(81,787)**	(57,752)
Total trade receivables – net	**1,180,305**	932,056
Other receivables	**103,825**	31,720
Less: provision for impairment of other receivables	**(3,664)**	(2,373)
Total other receivables – net	**100,161**	29,347
Deposits	**44,012**	18,590
Prepayments	**243,837**	80,648
Advances to staff	**11,214**	5,586
Advance payments made on behalf of customers	**33,211**	–
Total prepayments and other receivables	**432,435**	134,171
	1,612,740	1,066,227

As at 31 December 2018 and 2017, the fair value of trade and other receivables of the Group, except for prepayments which are not financial assets, approximated their carrying amounts.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The restatement of the loss allowance on transition to HKFRS 9 on 1 January 2018 was immaterial.

The loss allowance for trade receivables increased by a further RMB24,035,000 from RMB57,752,000 as at 1 January 2018 to RMB81,787,000 as at 31 December 2018.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk has been disclosed in Note 3.

23 TRADE AND OTHER RECEIVABLES *(cont'd)*

The credit period granted to customers ranged from 30 to 180 days. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2018 and 2017, was as follows:

	2018	2017
	RMB'000	RMB'000
Trade receivables – gross		
– Within 90 days	**692,234**	500,375
– 91 to 180 days	**193,432**	230,778
– 181 to 360 days	**168,063**	149,846
– Over 360 days	**208,363**	108,809
	1,262,092	989,808

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security over these debtors as at 31 December 2018 and 2017.

As at 1 January and 31 December 2018, bills receivable were classified as financial assets at FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets.

24 AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	2017
	RMB'000
Amounts due from contract customers	175,938
Less: Allowance for foreseeable losses	(12,427)
	163,511
Amounts due to contract customers	36,222

25 CONTRACT ASSETS AND LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2018 RMB'000
Contract assets:	
Current contract assets relating to uncompleted construction contracts	184,055
Retention receivables	226,149
Total current contract assets	410,204
Contract liabilities:	
Advance received from customers	430,180
Current contract liabilities relating to uncompleted construction contracts	205,250
Total current contract liabilities	635,430

(a) Significant changes in contract assets and liabilities

HKFRS 15 Revenue from contracts with customers requires the presentation of any unconditional rights to consideration as a receivable separately as contract assets.

In adopting HKFRS 15, the Group recognises contract assets when the Group recognises revenue before being unconditionally entitled to the consideration under the contract payment terms, which comprised of: 1) uncompleted construction service; 2) retention receivables of completed construction which represent receivables from customers after the expiry of warranty period, the warranty periods are normally 1-2 years, so the amount has not been due for settlement. As at 31 December 2018, contract assets of RMB107,917,000 were expected to be realised after one year.

Contract liabilities primarily consist of: 1) the advance from customers upon signing of contract, where related performance obligation will be provided by the Group in the future; 2) uncompleted construction service where the Group has an unconditional right to receive consideration before the Group recognises the related revenue.

25 CONTRACT ASSETS AND LIABILITIES *(cont'd)*

(b) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised in the consolidated statement of profit or loss for the year end 31 December 2018 relating to contract liabilities brought forward:

	2018
	RMB'000
Balance at 1 January (Note 2.1.1(c))	**511,650**
Increase in contract liabilities as a result of advanced payment received from customers	**405,394**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(281,614)**
	635,430

26 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018	2017
	RMB'000	RMB'000
Cash at bank and on hand	**437,684**	121,215
Cash at CIMC Finance	**41,551**	99,204
Short-term bank deposits	**–**	439
	479,235	220,858
Less: Pledged bank deposits	**(10,628)**	(518)
Cash and cash equivalents	**468,607**	220,340

Cash at CIMC Finance refer to deposits placed with CIMC Finance.

The pledged bank deposits at 31 December 2018 and 2017 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued.

26 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS *(cont'd)*

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

	2018 RMB'000	2017 RMB'000
RMB	**321,925**	124,518
HKD	**41,101**	577
EUR	**39,127**	21,085
SGD	**31,956**	38,864
USD	**18,690**	10,699
RUB	**17,138**	198
Others	**9,298**	24,917
	479,235	220,858

27 DEFERRED INCOME TAX

(a) Deferred tax assets

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

	2018 RMB'000	2017 RMB'000
Total deferred tax assets	**44,144**	26,730
Set-off of deferred tax liabilities pursuant to set-off provisions	**(89)**	(5,239)
Net deferred tax assets	**44,055**	21,491
Total deferred tax liabilities	**18,340**	8,545
Set-off of deferred tax assets pursuant to set-off provisions	**(89)**	(5,239)
Net deferred tax liabilities	**18,251**	3,306

27 DEFERRED INCOME TAX *(cont'd)*

(a) Deferred tax assets *(cont'd)*

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

Deferred tax assets	Impairment losses	Provisions	Allowances for doubtful debts	Tax losses	Employee benefits payables	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	504	9,800	9,335	2,097	4,190	360	–	26,286
Acquisition of subsidiary (Note 36)	–	–	–	749	–	–	–	749
Credited/(charged) to profit or loss	–	(1,298)	(1,827)	1,136	1,401	(360)	616	(332)
Currency translation differences	(1)	14	2	2	10	–	–	27
At 31 December 2017	503	8,516	7,510	3,984	5,601	–	616	26,730
Acquisition of subsidiary (Note 36)	–	417	2,960	–	1,963	–	4,938	10,278
Credited/(charged) to profit or loss	–	1,445	3,656	535	2,130	–	(808)	6,958
Currency translation differences	2	89	(1)	–	49	–	39	178
At 31 December 2018	**505**	**10,467**	**14,125**	**4,519**	**9,743**	**–**	**4,785**	**44,144**

27 **DEFERRED INCOME TAX** *(cont'd)*

(b) Deferred tax liabilities

As at 31 December 2018 and 2017, deferred income tax liabilities of RMB49,105,000 and RMB37,060,000, respectively, have not been recognised for the withholding and other taxes associated with the undistributed earnings of subsidiaries of the Company. These unremitted profits are reinvested and amount to RMB913,230,000 and RMB741,198,000 as at 31 December 2018 and 2017 respectively, and the Group does not have a plan of distribution as at the date of this consolidated financial statements.

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

Deferred tax liabilities	**Property, plant and equipment**	**Investment properties**	**Intangible assets**	**Fair value gain of acquisition an associate**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	7,233	110	–	–	(446)	6,897
Charged to profit or loss	(5)	159	(12)	–	862	1,004
Acquisition of subsidiary (Note 36)	15	–	588	–	93	696
Currency translation differences	47	–	–	–	(99)	(52)
At 31 December 2017	7,290	269	576	–	410	8,545
Charged to profit or loss	47	90	(1,288)	1,488	(2,262)	(1,925)
Acquisition of subsidiary (Note 36)	1,521	–	7,666	–	2,495	11,682
Currency translation differences	(50)	9	31	–	48	38
At 31 December 2018	**8,808**	**368**	**6,985**	**1,488**	**691**	**18,340**

28 SHARE CAPITAL

	2018	
	Number of shares	Amount
	'000	HKD'000
Authorised:		
Shares of HKD0.01 each at beginning of the year	**10,000,000**	**100,000**
Increase in authorised capital (a)	**40,000,000**	**400,000**
At end of the year	**50,000,000**	**500,000**
	'000	RMB'000
Issued and fully paid:		
At beginning of the year (b)	**6,455,429**	**51,753**
Issuance of ordinary shares pursuant to reverse acquisition (c)	**4,078,571**	**39,977**
Issuance of consideration shares to acquire a non-controlling interest (Note 20 (b))	**1,014,679**	**8,135**
Issuance of shares pursuant to a subscription agreement (d)	**673,225**	**5,448**
Issuance of shares pursuant to conversion of convertible bonds by bondholders (e)	**2,250,000**	**18,209**
At end of the year	**14,471,904**	**123,522**

28 SHARE CAPITAL *(cont'd)*

(a) Pursuant to the ordinary resolution passed by the independent shareholders of CFE at the extraordinary general meeting of CFE on 11 April 2018, the authorised share capital of the Company increased from 10,000,000,000 shares of HKD0.01 each to 50,000,000,000 shares of HKD0.01 each.

(b) In accordance with the reverse acquisition accounting as per HKFRS 3 "Business Combination", the equity structure of Pteris (the accounting acquirer) is restated using the exchange ratio established in the agreement of the Pteris Acquisition to reflect the number of shares of CFE (the accounting acquiree) issued to the vendors of the Pteris Acquisition in the reverse acquisition, being 6,455,428,570 Shares at HKD0.38 each (the closing trading price of shares of CFE at date of completion of the Pteris Acquisition, i.e. 23 April 2018).

(c) The fair value of the consideration transferred by Pteris, as the accounting acquirer, in relation to the Pteris Acquisition at the date of completion (Note 36), which was determined using the fair value of the issued equity of CFE immediately before the completion of the Pteris Acquisition, being 4,078,571,000 shares of CFE in issue at HKD0.38 each (the trading price of shares of CFE at date before the issuance of new shares for the Pteris Acquisition, i.e. 23 April 2018), equivalent to approximately RMB1,242,520,000, and the difference between the fair value of the issued equity of CFE and the amount of share capital and share premium of CFE was recorded in other reserve.

(d) Being the shares of the Company issued to State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership) (深圳國調招商併購股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC, at HKD0.366 per share pursuant to the Subscription Agreement dated 6 February 2018.

(e) During year ended 31 December 2018, convertible bonds with an aggregate principal value of RMB699,975,000 has been converted into 2,250,000,000 shares of the Company at the initial conversion price of HKD0.366 per share which equivalent to RMB0.3111 per share at the agreed fixed exchange rate of HKD1: RMB0.85 ("Initial conversion price"). The liability component of the converted convertible bonds amounted to RMB40,000,000 was derecognised at the same time.

29 RESERVES

	Note	Share premium RMB'000	Assets revaluation reserve RMB'000	Surplus reserves RMB'000	Convertible bonds – equity conversion reserves RMB'000	Other reserves RMB'000	Currency translation reserve RMB'000	Sub-total RMB'000	Retained earnings RMB'000	Total RMB'000
		Reserves								
Balance as at 1 January 2017	29(b)	1,914,868	22,690	9,378	1,767,791	(3,126,456)	19,883	608,154	459,973	1,068,127
Comprehensive income										
– Profit for the year		–	–	–	–	–	–	–	86,118	86,118
Other comprehensive income										
– Currency translation differences		–	–	–	–	–	12,898	12,898	–	12,898
– Fair value uplift at the date of the transfer of investment properties from property, plant and equipment and land use rights		–	594	–	–	–	–	594	–	594
Total comprehensive income for the year		–	594	–	–	–	12,898	13,492	86,118	99,610
Transaction with owners										
– Transaction with non-controlling interests	36(b)	–	–	–	–	4,874	–	4,874	–	4,874
Total transactions with owners, recognised directly in equity		–	–	–	–	4,874	–	4,874	–	4,874
Balance at 31 December 2017		1,914,868	23,284	9,378	1,767,791	(3,121,582)	32,781	626,520	546,091	1,172,611

29 RESERVES *(cont'd)*

	Note	Reserves: Share premium RMB'000	Reserves: Assets revaluation reserve RMB'000	Reserves: Surplus reserves RMB'000	Reserves: Convertible bonds – equity conversion reserves RMB'000	Reserves: Other reserves RMB'000	Reserves: Currency translation reserve RMB'000	Reserves: Sub-total RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance as at 1 January 2018		1,914,868	23,284	9,378	1,767,791	(3,121,582)	32,781	626,520	546,091	1,172,611
Comprehensive income										
– Profit for the year		–	–	–	–	–	–	–	165,403	165,403
Other comprehensive income										
– Currency translation differences		–	–	–	–	–	25,448	25,448	–	25,448
– Share of other comprehensive income of associates		–	–	–	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year		–	–	–	–	(1)	25,448	25,447	165,403	190,850
Transaction with owners										
– Issuance of ordinary shares pursuant to reverse acquisition	29(b)	1,037,907	–	–	–	164,636	–	1,202,543	–	1,202,543
– Issuance of convertible bonds pursuant to reverse acquisition (liability portion)	29(c)	–	–	–	–	–	–	–	(102,519)	(102,519)
– Non-controlling interests recognised pursuant to reverse acquisition	29(a)	–	–	–	–	(7,441)	–	(7,441)	–	(7,441)
– Transaction with non-controlling interests	20(b)	300,983	–	–	289,893	(406,624)	–	184,252	–	184,252
– Issuance of ordinary shares	28(d)	191,770	–	–	–	–	–	191,770	–	191,770
– Issuance of shares upon conversion of convertible bonds	28(e)	709,911	–	–	(688,120)	–	–	21,791	–	21,791
Total transactions with owners, recognised directly in equity		2,240,571	–	–	(398,227)	(249,429)	–	1,592,915	(102,519)	1,490,396
Balance at 31 December 2018		4,155,439	23,284	9,378	1,369,564	(3,371,012)	58,229	2,244,882	608,975	2,853,857

29 RESERVES *(cont'd)*

(a) The 0.59% of shareholders of Pteris, who did not exchange their equity interests of Pteris for the equity interests of CFE and was not participated in the Pteris Acquisition. They were treated as non-controlling interests of the Group after the completion of the Pteris Acquisition, and the amount of which was recognised based on their proportionate interest in the pre-combination carrying amount of Pteris' net assets.

(b) In accordance with the reverse acquisition accounting as per HKFRS 3 "Business Combination", the equity structure of Pteris (the accounting acquirer) is restated using the exchange ratio established in the agreement of the Pteris Acquisition to reflect the new shares and equity component of convertible bonds issued to effect the Pteris Acquisition. The fair value of the equity component of the convertible bonds was recognised as convertible bonds – equity conversion reserves. The difference between (i) the fair value of the shares issued and equity component of convertible bonds issued by the Company and (ii) 99.41% of the pre-combination carrying amount of Pteris' net assets before the Pteris acquisition, was recognised as other reserves.

(c) The liability component of convertible bonds was considered a distribution to the vendors of the Pteris Acquisition, who were effectively benefited from the liability component of the convertible bonds issued.

30 TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	RMB'000
Current		
– Trade payables	**762,871**	435,030
Total trade payables	**762,871**	435,030
– Dividends payable (a)	**74,899**	72,402
– Convertible bonds interests payable (Note 31)	**986**	–
– Staff salaries, bonuses and welfare payables	**84,855**	40,344
– Advances received	**–**	475,428
– Accruals and other payables	**379,544**	284,100
	1,303,155	1,307,304
Non-current		
– Advances received (b)	**8,752**	11,324
– Other payables	**5,700**	4,131
	14,452	15,455

(a) The dividends payable represent SZ TianDa unpaid dividends to China International Marine Containers (Hong Kong) Ltd, the then shareholder of SZ TianDa, which were declared in the financial years of 2011 and 2013 and unpaid dividends to Beijing Bowei Airport support Co., Ltd., a non-controlling shareholder of Xinfa Airport Equipment Ltd. which were declared in the financial years of 2017 and 2018.

As at 31 December 2018 and 2017, all trade and other payables of the Group were non-interest bearing, and their fair value, except for those non-financial liabilities, approximate to their carrying amounts due to their short maturities.

30 TRADE AND OTHER PAYABLES *(cont'd)*

(a) *(cont'd)*

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

	2018	2017
	RMB'000	RMB'000
0 – 60 days	**338,942**	113,462
61 – 120 days	**214,357**	152,439
121 – 240 days	**88,765**	119,669
Over 240 days	**120,807**	49,460
	762,871	435,030

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

	2018	2017
	RMB'000	RMB'000
SGD	**105,218**	29,982
USD	**82,796**	9,971
RMB	**996,637**	646,198
EUR	**6,048**	25,880
Others	**33,301**	83,632
	1,224,000	795,663

(b) Advances received in non-current trade and other payable is the prepaid rent received from a tenant. It is to be amortised during the rental period of ten years.

31 CONVERTIBLE BONDS

The Company issued convertible bonds with principal amount of RMB1,798,247,000 and RMB294,887,000 on 23 April 2018, to satisfy part of the consideration for the Pteris Acquisition and Tianda Acquisition, respectively. The convertible bonds are to be matured on the 22 April 2048, being the 30th anniversary of the issue date. They bear interest from and including the issue date at 0.1% (the effective rate was 10.64%) per annum, payable annually in arrears on each anniversary from the issue date. Subject to the terms and condition of the convertible bonds, each bondholder has the right to convert the bonds into shares of the Company credited as fully paid at any time from the issue date to maturity date, at the Initial conversion price..

The estimated fair value of the convertible bonds issued, as calculated using the Binomial pricing model, was approximately RMB2,177,015,000 at the date of issue and have been split into the liability component and an equity component. During year ended 31 December 2018, convertible bonds with an aggregate principal value of RMB699,975,000 has been converted into 2,250,000,000 shares of the Company at the Initial Conversion Price of RMB0.3111. The value of the liability component of the convertible bonds at 31 December 2018 is as follows:

	2018 **RMB'000**
Fair value of the convertible bonds at date of issue	
– to the vendors of Pteris Acquisition	**1,870,311**
– to the vendor of Tianda Acquisition	**306,704**
	2,177,015
Equity component	**(2,057,684)**
Liability component at date of issue	**119,331**
Conversion into shares of the Company (Note 28(e))	**(40,000)**
Interest charged (Note 8)	**5,982**
Interest payable (Note 30)	**(986)**
Liability component at 31 December 2018	**84,327**

31 CONVERTIBLE BONDS *(cont'd)*

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

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

32 BORROWINGS

	2018	2017
	RMB'000	RMB'000
Current		
Loans from related parties, unsecured (Note 40(b))	**270,000**	–
Bank borrowings, unsecured	**274,885**	112,731
Total borrowings	**544,885**	112,731

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

	2018	2017
	%	%
Bank borrowings, unsecured	**4.74%**	4.00%
Loans from related parties, unsecured	**5.32%**	N/A

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

32 BORROWINGS *(cont'd)*

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

	2018	2017
	RMB'000	RMB'000
6 months or less	**236,431**	31,155
6 – 12 months	**308,454**	81,576
	544,885	112,731

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

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

	2018	2017
	RMB'000	RMB'000
USD	–	13,213
RMB	**508,454**	70,000
EUR	**36,431**	29,518
	544,885	112,731

(e) The Group has the following undrawn borrowing facilities:

	2018	2017
	RMB'000	RMB'000
Floating rate:		
– Expiring within one year	**510,547**	–
– Expiring beyond one year	**514,398**	79,345
Fixed rate:		
– Expiring within one year	–	200,000
	1,024,945	279,345

33 PROVISIONS

	2018 RMB'000	2017 RMB'000
Warranties (a)	**80,329**	79,780
Others	**3,593**	–
	83,922	79,780

	Warranties RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2017	85,573	2,553	88,126
Currency translation differences	558	(119)	439
Provision made/(reversed)-net	1,440	(2,434)	(994)
Provision utilised	(7,791)	–	(7,791)
At 31 December 2017	79,780	–	79,780
Currency translation differences	(49)	425	376
Acquisition of subsidiaries (Note 36)	2,783	3,460	6,243
Provision made/(reversed)-net	20,913	(106)	20,807
Provision utilised	(23,098)	(186)	(23,284)
At 31 December 2018	**80,329**	**3,593**	**83,922**

(a) Warranties

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

34 DEFERRED INCOME

	2018	2017
	RMB'000	RMB'000
Government grants	**66,619**	76,894

Deferred income related to:

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

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

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

35 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before income tax to cash generated from operations:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash flow from operating activities		
Profit before income tax	**196,477**	138,177
Adjustments for:		
Depreciation of property, plant and equipment	**44,596**	34,592
Amortisation of prepaid land lease payments and intangible assets	**22,287**	11,343
Interest income	**(2,103)**	(2,003)
Dividend income	**(31)**	(49)
Interest expense	**23,641**	7,169
(Gain)/loss on disposal of property, plant and equipment	**(123)**	10
Loss/(gain) from change in fair value of other financial assets	**1,540**	(1,141)
Gain on fair value of investment properties	**(601)**	(1,058)
Share of profit of associates	**3,816**	–
Operating profit before working capital changes	**289,499**	187,040
Inventories	**(25,457)**	(226,771)
Trade and other receivables and financial assets at FVOCI	**(280,282)**	(11,111)
Contract assets	**(176,158)**	–
Trade and other payables	**310,554**	131,657
Provision	**(2,101)**	3,501
Contract liabilities	**29,178**	–
Cash generated from operations	**145,233**	84,316
Income tax paid	**(28,873)**	(26,184)
Net cash generated from operating activities	**116,360**	58,132

35 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(cont'd)*

(b) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment comprise:

	2018 RMB'000	2017 RMB'000
Properties, plant and equipment		
Net carrying amount disposed of	**628**	1,376
Gain/(loss) on disposal of property, plant and equipment (Note 7)	**123**	(10)
Proceeds from disposal	**751**	1,366

(c) Reconciliation of liabilities arising from financing activities

	At 1 January 2018 RMB'000	Currency translation difference RMB'000	Principal movement RMB'000	Non-cash changes RMB'000	At 31 December 2018 RMB'000
Borrowings	**112,731**	**(34)**	**432,154**	**34**	**544,885**

	At 1 January 2017 RMB'000	Currency translation difference RMB'000	Principal movement RMB'000	Non-cash changes RMB'000	At 31 December 2017 RMB'000
Borrowings	142,551	21	(29,954)	113	112,731

Borrowings and amounts due to related parties for financing purpose includes the Group's borrowings amounting to RMB544,885,000 and RMB112,731,000 for the year ended 31 December 2018 and 2017, respectively.

(d) Non-cash investing and financing activities

Non-cash investing and financing activities during the year related to the Pteris Acquisition and Tianda Acquisition. The Company issued 7,470,108,040 new shares at an issue price of HKD0.366 each and convertible bonds in the principal amount of RMB2,093,133,694 to effect the acquisitions. The details of the two acquisitions are set out in Note 29 and Note 36.

36 BUSINESS COMBINATION

(a) 2018 Acquisition

As stated in the "Basis of preparation" in Note 2.1, the Company completed the Pteris Acquisition on 23 April 2018, which has been accounted for as a reverse acquisition in accordance with HKFRS 3 "Business Combinations". Accordingly, CFE, being the legal acquirer, was deemed to be the accounting acquiree for accounting purpose. The excess of fair value purchase consideration over the identifiable net assets of CFE Group at fair value is recognised as goodwill in the consolidated statement of balance sheet on the acquisition date.

(i) Purchase consideration:

	At date of acquisition Fair value RMB'000
Issuance of ordinary shares pursuant to reverse acquisition (Note 28(c))	1,242,520

36 BUSINESS COMBINATION *(cont'd)*

(a) 2018 Acquisition *(cont'd)*

(ii) Identifiable assets acquired and liabilities assumed of:

	At date of acquisition Fair value
	RMB'000
Prepaid land lease payments	44,919
Property, plant and equipment	186,950
Intangible assets	38,479
Deferred tax assets	10,278
Investments in an associate	565,090
Inventories	255,569
Trade receivables	213,817
Contract assets	42,272
Prepayment, deposits and other receivables	109,433
Pledged bank deposits	8,167
Bank and cash balances	78,050
	1,553,024
Trade and other payables	(247,843)
Contract liabilities	(94,602)
Provision	(6,243)
Current tax liabilities	(1,399)
Deferred tax liabilities	(11,682)
	(361,769)
Net identifiable assets	1,191,255
Add:	
Goodwill	51,265
Total purchase consideration (28(c))	1,242,520

36 BUSINESS COMBINATION *(cont'd)*

(a) 2018 Acquisition *(cont'd)*

(iii) Effect on cash flows of the Group

	At date of acquisition Fair value
	RMB'000
Cash paid	–
Less: Cash and cash equivalents in subsidiaries acquired	(78,050)
Net cash inflow arising from acquisition	78,050

(iv) The goodwill arising from business combination is attributable to the synergies expected to be achieved from integrating CFE's operations into Group's existing business. It will not be deductible for tax purpose.

(v) Acquired receivables

The fair value of acquired trade receivables is RMB213,817,000. The gross contractual amount for trade receivables due is RMB233,034,000, of which RMB19,217,000 is expected to be uncollectible.

(vi) Revenue and profit contribution

CFE contributed revenue of RMB547,969,000 and net profit of RMB5,402,000 to the Group for the period from 23 April 2018 to 31 December 2018.

Had CFE been consolidated from 1 January 2018, consolidated revenue and consolidated net profit of the Group for the financial period ended 31 December 2018 would have been RMB2,899,177,000 and RMB207,041,000 respectively.

36 BUSINESS COMBINATION *(cont'd)*

(b) 2017 Acquisition

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

(1) Cash of RMB5,000,000;

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

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

Upon the completion of the 2017 Acquisition, Jinte became a 64.38%-owned subsidiary of the Company. The identifiable assets, liabilities and contingent liabilities of Jinte were recognised and measured at fair value. The excess of fair value purchase consideration over the identifiable net assets of Jinte at fair value is recognised as goodwill in the consolidated statement of financial position at the acquisition date.

The effects of the 2017 Acquisition are disclosed below.

(i) Purchase consideration:

	June 2017 At fair value RMB'000
Cash paid	5,000
8.03% equity interest of Kunshan CIMC Automation Equipment (Note (iv))	12,000
Present value of contingent consideration (Note (v))	2,610
Total purchase consideration	19,610

36 BUSINESS COMBINATION *(cont'd)*

(b) 2017 Acquisition *(cont'd)*

(ii) Identifiable assets acquired and liabilities assumed of:

	June 2017 At fair value RMB'000
Cash and cash equivalents	514
Trade and other receivables	446
Inventories	7,601
Property, plant and equipment	192
Intangible assets	6,880
Deferred income tax assets	749
	16,382
Trade and other payables	(9,091)
Tax payable	(629)
Deferred income tax liabilities	(696)
	(10,416)
Total identifiable net assets	5,966
Add:	
Goodwill	13,644
Total purchase consideration	19,610

36 BUSINESS COMBINATION *(cont'd)*

(b) 2017 Acquisition *(cont'd)*

(iii) Effect on cash flows of the Group

	RMB'000
Cash paid (as above)	5,000
Less: Cash and cash equivalents in subsidiary acquired	(514)
Cash outflow on acquisition	4,486

(iv) According to the sale and purchase agreement, part of the purchase consideration was settled by a 8.03% equity interest in Kunshan CIMC Automation Equipment. The difference between the fair value of the 8.03% equity interest disposed of amounting to RMB12,000,000 and the non-controlling interest recognised amounting to RMB7,131,000 at the date of acquisition was recognised in other reserve.

(v) Contingent consideration

Management assessed that the amount of contingent consideration payable by the Group would be RMB3,000,000 as management estimated that 3% of Jinte's future sales for the next three years would be less than RMB3,000,000. Accordingly, the management has estimated the present value of the contingent consideration to be RMB2,610,000 as at acquisition by discounting the future payments using the 3-year borrowing rate. The present value is recognised in trade and other payables of the consolidated statement of financial position as at 31 December 2017.

(vi) The goodwill arising from the 2017 Acquisition is attributable to the synergies expected to be achieved from integrating Jinte's operations into the Group's existing business. It will not be deductible for tax purpose.

(vii) Revenue and profit contribution

Jinte contributed revenue of RMB2,125,000 and net loss of RMB4,471,000 to the Group for the period from 1 July 2017 to 31 December 2017.

Had Jinte been consolidated from 1 January 2017, consolidated revenue and consolidated profit for the financial year ended 31 December 2017 would have been RMB1,667,705,000 and RMB117,323,000 respectively.

37 COMMITMENTS

(a) Capital commitments

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	**63,371**	158,069
Acquisitions	**647,260**	–
	710,631	158,069

(b) Operating lease commitments – as leasee

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

	2018 RMB'000	2017 RMB'000
No later than 1 year	**13,267**	12,266
Later than 1 year and no later than 5 years	**25,148**	31,139
Later than 5 years	**45,882**	43,684
	84,297	87,089

37 COMMITMENTS *(cont'd)*

(c) Operating leases rental receivables – as lessor

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

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

	2018	2017
	RMB'000	RMB'000
No later than 1 year	**11,929**	28,034
Later than 1 year and no later than 5 years	**44,124**	40,124
Later than 5 years	**20,647**	27,501
	76,700	95,659

38 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The shareholders of the Company adopted a share option scheme on 29 May 2009 which shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

The purpose of the Scheme is to advance the interests of the Company and its shareholders by offering the eligible persons a performance incentive for better services and loyalty with the Company and its subsidiaries and enhancing such persons' contributions to the Group by share ownership. A duly authorised committee of the board of directors of the Company may, at its absolute discretion, offer any full-time employee of the Company or any its subsidiaries, including any executive and non-executive directors of the Company or any of its subsidiaries options to subscribe for shares on the terms set out in the Scheme.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but in any event not exceeding 10 years. The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

38 SHARE-BASED PAYMENTS *(cont'd)*

Equity-settled share option scheme *(cont'd)*

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The total number of shares available for issue under the Scheme is 285,500,000 shares, representing 2.0% of the Company's issued share capital as at the date of this report.

Details of the movement of share options during the year are as follows:

	2018		2017	
	No. of share options	**Exercise Price HKD**	No. of share options	Exercise Price HKD
Outstanding at 1 January and 31 December	**115,625,000**	**0.42**	115,625,000	0.42
Exercisable at end of the year	**115,625,000**	**0.42**	115,625,000	0.42

38 SHARE-BASED PAYMENTS *(cont'd)*

Equity-settled share option scheme *(cont'd)*

As at 31 December 2018, the Company had the following share options outstanding which were granted to certain directors of the Company and full time employees of the Group in accordance with the terms of the share option scheme of the Company adopted on 29 May 2009.

	Number of shares of HKD0.01 each of the Company issuable under the options					
	Outstanding at 31 December 2017	Granted during the year	Exercised during the year	Outstanding at 31 December 2018	Exercise price (HKD)	Percentage of issued share capital of the Company
Grantees						
Directors of the Company						
Mr. Jiang Xiong	4,000,000	–	–	4,000,000	0.42	0.028%
Dr. Loke Yu	4,000,000	–	–	4,000,000	0.42	0.028%
Mr. Heng Ja Wei	4,000,000	–	–	4,000,000	0.42	0.028%
Mr. Ho Man	2,000,000	–	–	2,000,000	0.42	0.014%
	14,000,000	–	–	14,000,000		0.098%
Other employees	101,625,000	–	–	101,625,000	0.42	0.702%
	115,625,000	–	–	115,625,000		0.8%

The shares options outstanding at 31 December 2017 and 2018 were granted to the grantees on 26 August 2015. They will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive). The share options granted were all vested on 11 July 2017.

Save as disclosed, no share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2018.

38 SHARE-BASED PAYMENTS *(cont'd)*

Equity-settled share option scheme *(cont'd)*

The estimated fair value of the share options granted on 26 August 2015, as calculated using the Binomial pricing model, was HKD19,956,000. The inputs into the model were as follows:

	2015
Share price at date of grant	HKD0.365
Exercise price	HKD0.42
Expected volatility	55.5%
Expected life of options	10 years
Risk free rate	1.684%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous ten years.

For the year ended 31 December 2018 and 2017, employee's share-based payment of nil has been charged to the Group's profit for the year.

39 EVENTS OCCURRING AFTER THE YEAR END

On 20 July 2018, the Group entered into an equity transfer agreement with CIMC TianDa Shenzhen, a fellow subsidiary of the Group, to acquire 10% equity interests in Huijie. The acquisition of Huijie was completed on 11 January 2019 and therefore the financial effects of the acquisition was not recognised for the year ended 31 December 2018. Huijie is accounted for as an associate of the Group as it has significant influence on Huijie through its representative sitting in the board of directors of Huijie.

On 28 August 2018, the Group entered into an equity transfer agreement with CIMC TianDa Shenzhen, to acquire 5% equity interests in Tongchuang. The acquisition of Tongchuang was completed on 11 January 2019 and therefore the financial effects of the acquisition was not recognised for the year ended 31 December 2018. The Group accounted for the investment in Tongchuang as a financial asset at fair value through profit or loss.

The amount of derivative instrument of these two contracts is immaterial at 31 December 2018.

40 RELATED-PARTY TRANSACTIONS

The Company's immediate holding company is Sharp Vision Holdings Limited ("Sharp Vision"), incorporated in Hong Kong. The ultimate holding company is CIMC, incorporated in the PRC.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2018 and 2017 and balances arising from related party transactions as at 31 December 2018 and 2017.

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

Name of entities	Relationship with the Group
China International Marine Containers (Hong Kong) Co., Ltd.	Fellow subsidiary
Longkou CIMC Raffles Offshore Engineering Co., Ltd.	Fellow subsidiary
CIMC Enric Energy Engineering (Singapore) Pte., Ltd.	Fellow subsidiary
Zhangjiagang CIMC Sanctum Cryogenic Equipment Machinery Co., Ltd.	Fellow subsidiary
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Technology Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Containers Services Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Huijie Supply Chain Co., Ltd.	Fellow subsidiary
Jiajing Technology Co., Ltd	Fellow subsidiary
Qingdao CIMC Reefer Trailer Co., Ltd.	Fellow subsidiary
Shenzhen South CIMC Logistics Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Tianjin CIMC Logistics Equipments Co., Ltd.	Fellow subsidiary
CIMC Vehicles (Liaoning) Co., Ltd.	Fellow subsidiary
CIMC Vehicles (Shandong) Co., Ltd.	Fellow subsidiary
CIMC Management and Training (Shenzhen) Co., Ltd.	Fellow subsidiary
CIMC-Shac (Xi'an) Special Vehicles Co., Ltd.	Fellow subsidiary

40 RELATED-PARTY TRANSACTIONS *(cont'd)*

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

Name of entities	Relationship with the Group
Beijing Bowei Airport support Co., Ltd.	Minority shareholder of a subsidiary
Fengqiang Holdings Limited ("Fengqiang")	A substantial shareholder of the Company
CIMC Finance	Associate of the Group
Ziegler (ii)	Associate of the Group
Ziegler Fire & Rescue Vehicle Sales & Service (Beijing) Co., Ltd. (i) (ii)	Associate of the Group
PT. Ziegler Indonesia (i) (ii)	Associate of the Group
Ziegler Brand Weertechniek B.V. (i) (ii)	Associate of the Group
CIMC Tianda Holding (Shenzhen) Co., Ltd.	Fellow subsidiary
China Merchants Shekou Industrial Zone Co., Ltd.	Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company
CIMC	Ultimate holding company

(i) Ziegler Fire & Rescue Vehicle Sales & Service (Beijing) Co., Ltd., PT. Ziegler Indonesia and Ziegler Brand Weertechniek B.V. are the subsidiaries of Ziegler.

(ii) Due to the Pteris Acquisition, the relationship of Ziegler and its subsidiaries with the Group changed from fellow subsidiaries to associate of the Group.

40 RELATED-PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(i) Sales of goods and/or services to		
– Fellow subsidiaries	**23,922**	3,800
– A related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	**–**	6,650
– A minority shareholder of a subsidiary	**7**	10
– An associate of the Group	**420**	–
	24,349	10,460
(ii) Purchase of goods and/or services		
– Fellow subsidiaries	**511**	31,213
	511	31,213
(iii) Interest expense		
– Ultimate holding company	**2,606**	1,890
– An associate of the Group	**6,996**	–
– Fellow subsidiaries	**–**	1,082
	9,602	2,972
(iv) Lease expense		
– A related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	**1,728**	1,616
– Fellow subsidiaries	**–**	5
	1,728	1,621

40 RELATED-PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties (cont'd)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(v) Interest income		
– An associate of the Group	**86**	–
– Fellow subsidiaries	**–**	230
	86	230
(vi) Key management compensation		
– Salaries, wages and bonuses	**9,859**	4,946
– Pension, housing fund, medical insurance and other social insurances	**327**	333
	10,186	5,279
(vii) Borrowings from related parties		
Proceeds from		
– An associate of the Group	**525,000**	–
– Fellow subsidiaries	**–**	85,241
	525,000	85,241
Repayment to		
– Ultimate holding company	**–**	(65,687)
– An associate of the Group	**(255,000)**	–
– Fellow subsidiaries	**–**	(95,270)
	(255,000)	(160,957)
Convertible bonds hold by		
– Ultimate holding company	**65,050**	–
– A substantial shareholder	**6,135**	–
	71,185	–

40 RELATED-PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties (cont'd)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(viii) Salary expense recharged to related parties		
– A fellow subsidiary	**–**	3,002
	–	3,002

Outstanding balances at each statement of financial position date, arising from sale/purchase of goods and services, are unsecured, interest free and receivable/payable on demand except for those disclosed in Notes 31 and Note 32 respectively.

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

(c) Balances with related parties:

Amounts due from related parties:

	2018	2017
	RMB'000	RMB'000
(i) Trade and other receivables:		
– A related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	**2,685**	15,377
– A substantial shareholder of the Company	**2,382**	15
– Associates of the Group	**1,806**	–
– Fellow subsidiaries	**22,464**	14,942
– An associate of ultimate holding company	**–**	527
	29,337	30,861

40 RELATED-PARTY TRANSACTIONS *(cont'd)*

(c) Balances with related parties: (cont'd)

Amounts due to related parties:

	2018 RMB'000	2017 RMB'000
(i) Trade and other payables:		
– A related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	**221**	137
– An associate of the Group	**1,656**	–
– Fellow subsidiaries	**7,693**	2,959
– Ultimate holding company	**65,642**	–
– A minority shareholder of a subsidiary	**–**	713
	75,212	3,809

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

The amount due to the ultimate holding company is unsecured, interest bearing at 4.888% p.a. and due for repayment on 22 August 2019. Apart from that, the amounts due to related parties are unsecured, interest-free, and repayable on demand.

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**5,404,248**	790,501
	5,404,248	790,501
Current assets		
Prepayments and other receivables	**43**	40
Amount due from subsidiaries	**8,892**	–
Cash and cash equivalents	**40,106**	4,549
Dividend receivable	**211,471**	211,471
	260,512	216,060
Total assets	**5,664,760**	1,006,561
EQUITY		
Equity attributable to owners of the Company		
Share capital (Note 28)	**123,522**	39,977
Reserves	**5,451,765**	965,172
Total equity	**5,575,287**	1,005,149

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(cont'd)*

(a) Statement of financial position of the Company *(cont'd)*

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
LIABILITIES		
Current liabilities		
Trade and other payables	**5,146**	1,412
Non-Current liabilities		
Convertible bonds	**84,327**	–
Total liabilities	**89,473**	1,412
Total equity and liabilities	**5,664,760**	1,006,561

The statement of financial position of the Company was approved by the Board of Directors on 25 March, 2019 and was signed on its behalf:

Li Yin Hui
Director

Zheng Zu Hua
Director

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(cont'd)*

(b) Reserve movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Convertible bonds – equity conversion reserves RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2017	1,037,907	170,607	12,670	–	(3,342)	(265,691)	952,151
Total comprehensive income for the year	–	–	–	–	–	8,623	8,623
Share-based payments	–	–	4,398	–	–	–	4,398
At 31 December 2017 and 1 January 2018	1,037,907	170,607	17,068	–	(3,342)	(257,068)	965,172
Total comprehensive income for the year	–	–	–	–	–	(503)	(503)
Issuance of ordinary shares and convertible bonds pursuant to reverse acquisition	1,914,868	–	–	1,767,791	–	–	3,682,659
Issuance of convertible bonds and convertible bonds pursuant to acquire non-controlling interest	300,983	–	–	289,893	–	–	590,876
Issuance of ordinary shares	191,770	–	–	–	–	–	191,770
Issuance of shares upon conversion of convertible bonds	709,911	–	–	(688,120)	–	–	21,791
Balance at 31 December 2018	**4,155,439**	**170,607**	**17,068**	**1,369,564**	**(3,342)**	**(257,571)**	**5,451,765**

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors of the Company is set out below:

	2018					2017				
	Fee	Salaries	Retirement benefits scheme contribution	Estimated money value of other benefit	Total	Fee	Salaries	Retirement benefits scheme contribution	Estimated money value of other benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (Note a(i))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a(i))	RMB'000
Non-executive directors										
Dr. Li Yin Hui	–	–	–	–	–	–	–	–	–	–
Mr. Yu Yu Qun	–	–	–	–	–	–	–	–	–	–
Mr. Robert Johnson	203	–	–	–	203	335	–	–	–	335
	203	–	–	–	203	335	–	–	–	335
Executive directors										
Mr. Jiang Xiong		1,266	15	–	1,281	–	1,300	16	159	1,475
Mr. Zheng Zu Hua	203	2,401	59	–	2,663	208	591	16	–	815
Mr. Luan You Jun	203	718	47	–	968	208	–	–	–	208
	406	4,385	121	–	4,912	416	1,891	32	159	2,498
Independent non-executive directors										
Dr. Loke Yu	203	–	–	–	203	208	–	–	159	367
Mr. Heng Ja Wei	203	–	–	–	203	208	–	–	159	367
Mr. Ho Man	203	–	–	–	203	208	–	–	80	288
	609	–	–	–	609	624	–	–	398	1,022
	1,218	4,385	121	–	5,724	1,375	1,891	32	557	3,855

42 BENEFITS AND INTERESTS OF DIRECTORS *(cont'd)*

(a) Directors' emoluments *(cont'd)*

(i) Estimated money values of other benefit represents share-based payments.

The emoluments paid or payable to the directors prior to the Pteris Acquisition are not included in the profit or loss of the Group for the year ended 31 December 2018 and 2017.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Neither the Chief Executive nor any of the directors waived any emoluments during the year.

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during years ended 31 December 2018 and 2017.

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

No payment was made to the former employer of directors for making available the services of them as a director during the years ended 31 December 2018 and 2017.

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

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2018 and 2017.

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

On 4 December 2017, the Company and its subsidiary, Wang Sing, entered into a sales and purchase agreement for the Pteris Acquisition, pursuant to which, the Company and Wang Sing acquired 78.15% and 21.26% of the equity interests in Pteris from Sharp Vision and Fengqiang, respectively. Fengqiang is wholly-owned by Shenzhen TGM Limited (深圳特哥盟科技有限公司) ("TGM"), a company established in the PRC which is in turn owned by the employees of Pteris and its subsidiaries. Mr. Zheng Zu Hua and Mr. Luan You Jun, each being an executive director of the Company, hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively.

42 BENEFITS AND INTERESTS OF DIRECTORS *(cont'd)*

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

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(f) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2017: one) director, whose emoluments are included in Note 10 to the consolidated financial statements. The emoluments of the remaining four (2017: four) individuals are set out below:

	2018	2017
	RMB'000	RMB'000
Salaries and other benefits	**4,440**	2,501
Equity-settled share-based payments	**–**	2,375
Retirement benefit scheme contributions	**166**	92
Total	**4,606**	4,968

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Nil to RMB1,000,000	**–**	–
RMB1,000,001 to RMB1,500,000	**4**	3
RMB1,500,001 to RMB2,000,000	**–**	1
RMB2,000,001 to RMB2,500,000	**–**	–
Total	**4**	4

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil)

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000 (Note)	**2018** **RMB'000** **(Note)**
RESULTS					
Revenue	846,828	662,399	471,252	1,662,685	**2,786,421**
(Loss)/profit before tax	(490,859)	39,928	24,872	138,177	**196,477**
Income tax expense	(11,180)	(9,484)	(7,586)	(18,496)	**(23,859)**
(Loss)/profit for the year	(502,039)	30,444	17,286	119,681	**172,618**
Attributable to:					
Owners of the Company	(503,854)	18,611	17,286	86,118	**165,403**
Non-controlling interests	1,815	11,833	–	33,563	**7,215**
	(502,039)	30,444	17,286	119,681	**172,618**
(Loss)/earnings per share (RMB cents)					
Basic	(17.65)	0.54	0.42	1.33	**1.39**
Diluted	(17.65)	0.54	0.42	0.70	**1.01**

	At 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,324,258	1,317,226	1,310,659	3,116,925	**5,901,010**
Total liabilities	(721,099)	(310,639)	(257,660)	(1,651,156)	**(2,878,681)**
	603,159	1,006,587	1,052,999	1,465,769	**3,022,329**
Equity attributable to owners of the Company	549,123	1,006,587	1,052,999	1,224,364	**2,977,379**
Non-controlling interests	54,036	–	–	241,405	**44,950**
Total equity	603,159	1,006,587	1,052,999	1,465,769	**3,022,329**

Note: As disclosed in Note 2.1 "Basis of preparation" to the consolidated financial statements, the acquisition of Pteris has been accounted for as a reverse acquisition in accordance with HKFRS 3 "Business Combinations". Pteris, being the legal subsidiary, was deemed to be the accounting acquirer while CFE, being the legal acquirer, was deemed to be the accounting acquire for accounting purpose. As such, the consolidated financial statements of the Group for 2018 represented a continuation of the consolidated financial statements of the Pteris Group. The comparative figures presented in the consolidated financial statements are also that of the Pteris Group, unless otherwise specified. In this financial summary, financial figures for 2013 to 2016 are those of the CFE Group, while the financial figures for 2017 and 2018 are those of the Pteris Group plus that of the CFE Group since the completion of the Pteris Acquisition on 23 April 2018.